

UNITED KINGDOM

Corporate tax rate

The maximum corporate tax rate is 53¼ percent.

Method of computing depreciation

Depreciation of plant and machinery may be computed under either the declining-balance or the straight-line method. The declining-balance method is most commonly used. Industrial buildings and structures are required to be depreciated on the straight-line method.

Rates of depreciation

The rates of depreciation for machinery and equipment are determined by the Commissioners of Inland Revenue and a list of basic rates is published. However, the taxpayer may apply for an increase in these rates. The basic rate under the straight-line method assumes a residual salvage value of 10 percent. Therefore, the formula for the straightline rate is

$$\frac{0.9}{\text{anticipated normal working life}}$$

The formula for the declining balance rate is

$$1 - n \sqrt[0.10]{0.10}$$

where n = anticipated normal working life. The basic rates as determined above are multiplied by 5/4 to obtain the rate actually used in computing the depreciation deduction. The rates of depreciation for certain machinery and equipment are as follows:

[In percent]

	Rate	
	Declining-balance	Straight-line
Iron and steel manufacturing machinery and plant.....	9	3.75
Manufacture of motor vehicles:		
High-speed precision plant.....	15	6.6
Steam engines, boilers, and shafting.....	6	2.5
Other manufacturing machinery.....	9	3.75
Cotton spinning and manufacture:		
Motive-power machinery.....	6	2.5
Process machinery.....	9	3.75

Industrial buildings and structures which are new in the hands of the taxpayer are subject to a 2-percent straight-line rate. Buildings which are used when acquired by the taxpayer are depreciated on a straight-line rate determined by the following formula:

$$\frac{1}{50 - \text{number of years since construction of building}}$$

In no case may depreciation be claimed for any period more than 50 years after the date of construction of a building. Also, in general, a purchaser of a used building may not depreciate any portion of his cost which is in excess of the original construction cost of the building.

Types of buildings or equipment not subject to depreciation

Depreciation is not permitted on structures used as dwellings, retail shops, showrooms, hotels, and offices.

Accelerated depreciation

Besides the acceleration provided by the use of the declining-balance method for plant and machinery, a system of first-year allowances is in effect. These initial allowances are in addition to the regular depreciation allowed in the first year. However, the initial allowances reduce the basis of the asset for