

## British Berry Growers (BBG) Capital Allowances Policy

British Berry Growers are calling for an increase in the Annual Investment Allowance (AIA) limit, a widening of the range of items that qualify for AIA and a reduction in the length of write off period.

A capital allowances regime gives businesses the freedom to decide what to invest in and when to invest, as opposed to grants schemes which are time-limited and often come with conditions attached. With the end of the Fruit and Veg scheme, any further direct funding is unlikely to be forthcoming and growers understand this. However, growers still need to be incentivised to keep investing in berry growing and thus to realise the potential growth in this sector.

The current AIA limit of £1m has lost a quarter of its real value since it was set in 2019 and £1m does not buy very much in the scale of modern berry farming.

**The three Capital Allowances policy changes are:**

- 1. An increase in the AIA limit from £1m to £10m.**
- 2. A wider range of items allowable for relief to include polytunnels and reservoirs.**
- 3. A reduction in the write off period for capital investment.**

Increasing investment by berry growers will lead to increased returns, which in turn will lead to tax revenues for the Government, both direct and indirect. The following example of a £4,000 investment in raspberry production illustrates this.

The first table shows what will be left for the grower once Er's NI, Corporation tax and Dividends tax have been paid. The second table is what the Government could potentially take directly (Er's NI, Corp tax & Dividends tax) or indirectly (Ee's NI, PAYE & VAT) should that investment go ahead.

Rasp Cash Generation:	1 Yr
Investment	£4,000
Net profit	£1,020
Corporation Tax at 25%	-£ 255
Cash after CT & Bonuses	£1,165
Outstanding Debt repaid	-£ 800
Cash left after debt repayment	£ 365
39.35% Dividends tax	-£ 144
Net receipt after tax	£ 221
Government Take	
Employer's NI	£ 815
Employee's NI	£ 126
Employee's PAYE	£ 276
Corp tax	£ 255
Dividends tax	£ 144
VAT on goods and services	£ 485
Total	£2,100