

Example 1

Assets held in large numbers with a very short life where individual identification is impossible (eg, returnable containers, linen, tools)

The taxpayer satisfies the inspector that the average actual life (NB not useful life) of tools used in his trade is 3 years; it is therefore reasonable to presume that those items acquired in year 1 are all disposed of in year 4. He elects for short-life asset treatment.

Year of acquisition	1986	1987	1988	1989	Total each year
Cost of tools	£1,000	£1,200	£800	£1,000	
1986 WDA	£250				£250
	<hr/>				
	£750				
1987 WDA	£188	£300			£488
	<hr/>	<hr/>			
	£562	£900			
1988 WDA	£140	£225	£200		£565
	<hr/>	<hr/>	<hr/>		
	£422	£675	£600		
1989					
Presumed scrapped					
Disposal value	Nil				
	<hr/>				

Balancing allowance	£422			
	<hr/>			£991
WDA		£169	£150	£250
		<hr/>	<hr/>	<hr/>
Qualifying expenditure carried forward		£506	£450	£750
		<hr/>	<hr/>	<hr/>

Where scrap or sale proceeds are not in practice taxed as trading receipts and can be identified but not related to particular acquisitions, they should be regarded as disposal value of the earliest period for which a short life asset pool is in existence. For example, if proceeds from the sale of all tools scrapped in 1989 were £50, the balancing allowance in the example would be £372.

Example 2

Assets held in large numbers where individual identification is possible but impracticable in the circumstances of the case

The taxpayer uses in his trade large numbers of relatively small items such as scientific or technical instruments, calculators, or amusement machines and elects for short-life asset treatment. His accounting records enable him to identify for each kind the number and cost of acquisition, and both the number and sale proceeds of disposals and the number on hand at the end of the short-life asset period related to those acquisitions.

Technical instruments	Number	Cost	Disposal value
Acquisition in 1986	100	£10,000	
Sold in 1988	20		£500
Sold in 1989	40		£400
On hand 1990	40		
Computation			Total allowed
1986 expenditure on 100 instruments		£10,000	
WDA		£2,500	£2,500
		<hr/>	<hr/>
		£7,500	
1987 WDA		£1,875	£1,875
		<hr/>	<hr/>
		£5,625	

1988 disposal of 20 instruments

Expenditure unallowed		
$20/(\pounds 5,625 \times 100) = \pounds 1,125$	£1,125	
Disposal value £500		
Balancing allowance £625		
	(£4,500)	£1,750
WDA	(£1,125)	
(80 instruments)	£3,375	

1989 disposals: 40 instruments

Expenditure unallowed	
$40/(\pounds 3,375 \times 80) = \pounds 1,688$	£1,688
Disposal value £400	
Balancing allowance £1,288	

		£1,710
WDA	(£422)	<hr/>
(40 instruments)	<hr/> £1,265	
1990 WDA	£314	£314
Expenditure unallowed (40 instruments)	<hr/> £951	<hr/>
1991 Transfer to main pool	<hr/> £951	

It is presumed in this example that all the items cost the same amount; where similar items cost different but broadly similar amounts, this method of computation may still be used.