WDA Question

SW Co has a 31st Dec year-end and pays tax at 19% 12 months after the end of the year to which it relates. It can claim tax allowable depreciation at a rate of 18% reducing balance and can also claim a balancing allowance or pay a charge in the year of disposal (although no WDA is claimed then). It pays £1 million for a machine on 31st Dec 20X8. The cost of capital is 10%. It expects the machine to last 4 years and be sold for £200000 then.

Show the working for the tax depreciation and calculate the PV of the benefit that would result from the first years writing down allowance.