

Enhanced Capital Allowances

Tax relief for businesses investing in low carbon technologies

Making business sense of climate change



The ECA scheme

- § What is the **Enhanced Capital Allowance (ECA)** scheme designed to do?
- § What are they worth to companies?
- § Which products and technologies can qualify?
- § How to claim
- § How can you find out more about ECAs?



The ECA scheme

§ ECAs provide

- Fiscal incentives to users designed to encourage companies to choose energy efficient products and technologies

100%

- Tax relief on qualifying investments within one year can deliver significant cash flow boost and shorten the payback period on investment



How much is the enhanced tax benefit?

Year	Expenditure written off against profits		
	Capital Allowance (25%)	Capital Allowance SMEs Rate (40% then 25%)	100% ECA
1	25.0	40.0	100
2	18.8	15.0	-
3	14.1	11.3	-
4	10.5	8.4	-
5	7.9	6.3	-
6	5.9	4.7	-
7	4.4	3.6	-
8	3.3	2.7	-
9	2.5	2.0	-
10	1.9	1.5	-



How much of an incentive is it?

- § Ordinary capital allowances can save £7.50 for every £100 spent per annum (assuming company pays tax on profits)
- § 100% first year allowances save £30 for every £100 spent (*Assuming company pays tax on profits at 30%*)
- § All allowances due in the first year, therefore greatest effects of the scheme are on cash flow



What qualifies?

- § Energy efficient products and technologies including Inverter Drive Air Conditioning, Warm Air, & Radiant Heating Systems
- § Easily certifiable as qualifying
- § Plant or Machinery

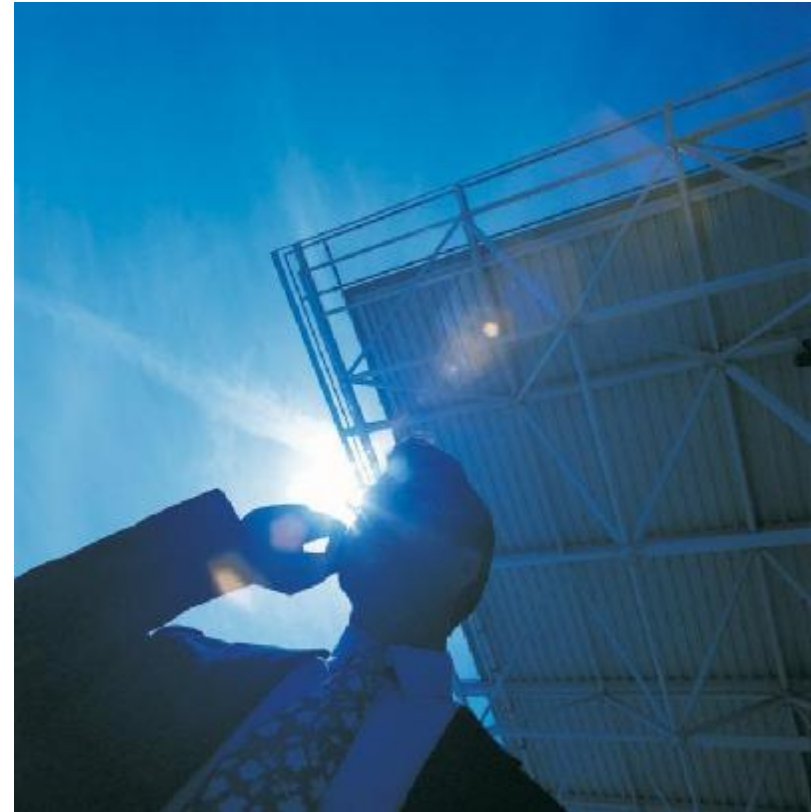
Plus

- § Installation costs
- § Professional fees
- § Costs of altering an existing building



The Energy Technology List - what qualifies?

- § Combined Heat and Power (CHP)
- § Motors
- § Boilers
- § Lighting
- § Variable Speed Drives (VSDs)
- § Refrigeration equipment
- § Pipe insulation
- § Thermal screens
- § Heat pumps for space heating
- § Solar thermal systems
- § Warm air & radiant heaters
- § Compressed air equipment
- § Investments in assets for leasing



The Energy Technology List

Details of qualifying products and technologies can be found on:

§ Energy Technology Criteria

- Updated annually

§ Energy Technology Product List

- Updated monthly
- Application forms
- Application tracker

www.eca.gov.uk



The Energy Technology List



- § All products and technologies on the **Energy Technology List** meet energy efficient criteria
- § They deliver significant long-term financial benefits - just by being energy efficient - over and above the enhanced tax relief



How much can you claim?

- § A qualifying item bought stand alone
 - use the price paid
- § A qualifying item bought as part of a non qualifying system
 - Use claim values shown on the website



How you claim

Section 5: Capital allowances and enhanced expenditure

Complete this section if you are claiming capital allowances or enhanced expenditure. You should also show balancing charges taken into account in Section 3 or 4 calculations. Show details of qualifying expenditure on which writing-down allowances may be claimed, even if you are not claiming any allowances for this period. See notes 25, 31 and 33. Enter whole figures only.

Research and Development (R&D) enhanced expenditure See note 31 for information on R&D, including vaccine research

166 Put an 'X' in box 166 if the claim is made by a small or medium-sized enterprise (SME), including a SME subcontractor to a large company 166 £

167 Put an 'X' in box 167 if the claim is made by a large company 167 £

151 R&D enhanced expenditure SMEs or large companies. Enter enhanced expenditure figure on which claim is based 151 £

169 R&D enhanced expenditure of an SME on work sub-contracted to it by a large company. Enter enhanced expenditure on which claim is based. 169 £

168 Vaccines research expenditure Enter additional deduction under Paragraph 14(2)(a) or 21(2) of Schedule 13 FA 2002 168 £

Land remediation enhanced expenditure

156 Enter amount equal to 150% of actual expenditure. See note 33 156 £

Capital allowances and balancing charges See note 25

81 Expenditure on machinery and plant on which first year allowance is claimed 171 81 £

171 Put an 'X' in box 171 if claim includes enhanced capital allowances for energy-saving investments. See note 25

82 Qualifying expenditure on machinery and plant on long-life assets 82 £

83 Qualifying expenditure on machinery and plant on other assets 83 £

Exclude any amounts included in box 81

Charges and allowances included in calculation of trading profits or losses

	Balancing charges	Capital allowances
84 - 85 Cars Any cars not included in the general pool	<input type="text"/> 84 £	<input type="text"/> 85 £
86 - 87 Machinery and plant - long-life assets	<input type="text"/> 86 £	<input type="text"/> 87 £
88 - 89 Machinery and plant - other assets	<input type="text"/> 88 £	<input type="text"/> 89 £
90 - 91 Industrial buildings and structures Including qualifying hotels, and commercial buildings and hotels in enterprise zones	<input type="text"/> 90 £	<input type="text"/> 91 £
92 - 93 Other charges and allowances For example agricultural buildings, mineral extraction, research and development, patents	<input type="text"/> 92 £	<input type="text"/> 93 £

Charges and allowances not included in calculation of trading profits or losses

	Balancing charges	Capital allowances
94 - 95	<input type="text"/> 94 £	<input type="text"/> 95 £

157 Flat conversion Put an 'X' in box 157 if box 95 includes flat conversion allowances 157 £

This is the end of Section 5

Claim your ECA as part of your normal income / corporation tax return calculations





Enhanced Capital Allowances

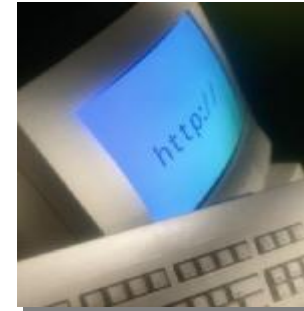
Tax Relief for Businesses Investing in Low Carbon Technologies



How to find out more

§ Check out the ECA web site

- Contains the Energy Technology List
- Features an easy to navigate on-line exhibition to help identify qualifying products and technologies
- Provides contact details for manufacturers and suppliers
- Includes downloadable leaflets and an events calendar



www.eca.gov.uk



Other sources of useful information



Websites

www.eca.gov.uk

www.actionenergy.org.uk

www.defra.gov.uk

www.thecarbontrust.co.uk



Helpline

0800 58 57 94



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Disclaimer

- § Capital expenditure incurred on equipment that is (a) on the Energy Technology List and Energy Technology Product List; and (b) which comprises plant and machinery for the purposes of Capital Allowances (Tax), can qualify for 100 per cent Enhanced Capital Allowances (ECAs). If you are in any doubt about whether expenditure can qualify, you must consult your tax adviser.
- § To qualify for the Energy Technology List and be allowed to use the Energy Technology List symbol, products and technologies must comply with energy efficiency criteria set by Government. Neither the Carbon Trust nor the Government make any warranties or representations of any kind in relation to the products or technologies and, to the maximum extent permitted by law, accept any liability whatsoever for the same including, without limit, for direct, indirect or consequential loss, business interruption, loss of profits, production, contracts, goodwill or anticipated savings. Any person makes use of the products or technologies on the Energy Technology Product List at their own risk and it is recommended that they seek professional advice from their own adviser whenever appropriate.
- § A full list of all products and technologies that are allowed to use the Energy Technology List symbol can be found [on this website/on www.eca.gov.uk].
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