

## Introduction.



**The Enhanced Capital Allowance** (ECA) Scheme is a key part of the Government's programme to manage climate change. It provides businesses with enhanced tax relief for investments in equipment that meets published energy-saving criteria.

The website [etl.decc.gov.uk/etl/](http://etl.decc.gov.uk/etl/) provides background information about the scheme and its benefits.

**For purchasers of equipment**, this website provides information on which products are eligible for ECAs, and provides details on how to claim the enhanced tax relief when you have made a purchase of eligible equipment.

Please note that the **products, criteria and claim values listed on the Energy Technology List (ETL) will be updated on 2nd August 2012**.

## First-year allowances for energy saving products



## What is the ECA energy scheme

The Enhanced Capital Allowance (ECA) scheme enables businesses to claim a 100% first year capital allowance on investments in certain energy saving equipment, against the taxable profits of the period of investment. Capital allowances enable businesses to write off the capital cost of purchasing new plant or machinery (e.g. boilers, motors, **lighting**), against their taxable profits.

The general rate of capital allowances is 20% (18% from April 2012) a year on a reducing balance basis. Some technologies supported by the ECA Scheme (e.g. boilers, **lighting**) are included in a special capital allowances pool where the general rate of capital allowances is 10% (8% from April 2012).

If a business spent £1000 on **general lighting**, claimed a standard capital allowance at the 20% rate (18% from 2012) and paid 26% corporation or income tax (the main rate which will reduce to 25% from 2012 - other rates exist, see [HMRC](#)) then the tax relief would be £52 in the first year. Further tax relief could be claimed in subsequent years. If however the business invested in a higher efficiency **lighting** listed on the Energy Technology List or **lighting covered within the area known as non-listed products which have the correct certification**, then it could claim an Enhanced Capital Allowance, giving a one-off 100% tax relief of £260.

Additional benefits of purchasing ECA qualifying energy efficient technologies could include: improved cash flow, lower energy bills, reduction in Climate Change Levy or CRC payment.

Further information on the benefits of capital allowances are given in [ECA 272 - The Enhanced Capital Allowances scheme](#).

## First-year allowances for energy saving products



## Benefits of the ECA energy scheme

Using energy-saving equipment will help reduce your energy bills, saving your business considerable sums of money in the long term.

Claiming ECA tax relief will save your business even more money - improving your cash flow for the year that you invest in the new equipment. And using the equipment itself will help reduce the impact your business has on the environment.

## First-year allowances for energy saving products



## Products covered by the ECA energy scheme

You can only make claims for tax allowances under the Enhanced Capital Allowance (ECA) energy scheme for certain technologies. Qualifying products within these technologies must meet certain eligibility criteria specified on the Energy Technology List (ETL) **or covered within the area known as non-listed products which have the correct certification.** Please note that ECAs are not available on the cost of plant and machinery for use within a property used as a dwelling that you lease out in the UK or overseas. (However, items bought for use within common parts may qualify.)

The categories of technology covered by the ETL are:

air-to-air energy recovery, automatic monitoring and targeting (AMT) equipment - including component-based and portable systems, boiler equipment - including hot water and steam boilers, biomass boilers and room heaters, condensing water heaters and flue gas economisers, combined heat and power (CHP), compressed air equipment - including flow controllers and master controllers, heat pumps for space heating - including air source, water source and ground source, heating, ventilation and air conditioning (HVAC) equipment - including HVAC zone controls and close control air conditioning, **lighting - including high-efficiency lighting units, lighting controls and white-light emitting diode units,** motors and drives - including integrated motor drive units, variable speed drives, switched reluctance drives, and single speed and multiple speed motors, pipe work insulation, refrigeration equipment - including air-cooled condensing units, cellar cooling equipment, automatic air purgers, and refrigerated display cabinets and fittings, solar thermal systems, uninterruptible power supplies, radiant and warm air heaters - including overhead radiant heaters, packaged warm air heaters and biomass fire warm air heaters.

## First-year allowances for energy saving products



## Products covered by the ECA energy scheme cont...

At Budget 2011 the government announced that the list of technologies that qualify for the energy-saving scheme will be revised to include one new technology: certain energy efficient hand dryers. The criteria for automatic monitoring and targeting equipment will also be revised. The changes to the scheme took effect from 1 October 2011.

The list and eligibility criteria are reviewed annually to take into account technological developments.

You can identify products which are included on the ETL as they should have the ETL symbol.

## First-year allowances for energy saving products



### How to claim an ECA for listed energy saving products

The Enhanced Capital Allowance (ECA) scheme provides a 100 per cent first-year allowance for investments in certain energy saving plant and machinery. It lets you write off - ie deduct - 100 per cent of the cost of qualifying plant and machinery against taxable profits in the year of purchase.

You should claim ECAs for energy saving equipment in the same way that you claim other first-year allowances. This is through your **income tax self-assessment** or your corporation **tax self-assessment** return.

If you need help making your claim for ECAs, you should contact your tax adviser or call the HMRC Self Assessment Helpline on Tel **0845 900 0444**.

### Non-listed products

**Some products - known as non-listed products - do not appear on the Energy Technology List (ETL) but do meet the criteria and still qualify for an ECA as long as they have the correct certification.**

**Lighting offered by Brilliantz has been certified as meeting the requirements of the ECA scheme.**

## First-year allowances for energy saving products



### Claim values

Some products on the ETL are designed to be incorporated into other items of plant or machinery. If this is the case, you will need to identify the proportion of your expenditure which can qualify for 100 per cent first-year allowance. This is known as the claim value. The proportion of the cost of buying the plant and machinery that qualifies for 100 per cent first-year allowance will be the claim value amount specified in the ETL for the particular qualifying product that's been incorporated. The balance of the expenditure incurred does not qualify for 100 per cent first-year allowance, but it can still qualify for capital allowances at the relevant rate.

If you pay for the equipment in installments, you will need to calculate the amount qualifying for 100 per cent first-year allowance at each stage. You should do this by comparing the total cost with the expenditure that will qualify for 100 per cent first-year allowances. You apply this fraction to each payment to get the part of each payment that qualifies for 100 per cent first-year allowances.

For example, you buy a piece of equipment costing £90,000 which incorporates a qualifying component. The claim value for the environmentally beneficial component is £18,000. If you pay for the equipment in three installments - one of £40,000 and two of £25,000 - the calculations of which parts of the payments qualify for 100 per cent first-year allowances are as follows:

- $£40,000 \times £18,000 \div £90,000 = £8,000$
- $£25,000 \times £18,000 \div £90,000 = £5,000$
- $£25,000 \times £18,000 \div £90,000 = £5,000$

## First-year allowances for energy saving products



## How to claim an ECA for non-listed energy saving products

There are some products that meet the eligibility criteria and qualify for an enhanced capital allowance (ECA), but for a variety of reasons they do not appear on the Energy Technology List (ETL). These are called **non-listed products**. There are four categories:

Component-based automatic monitoring and targeting (AMT) equipment  
Combined heat and power (CHP)

### Lighting

Pipe work insulation

The process of claiming for non-listed products can vary according to which technology group the product falls into. Remember that not all your supplier's products will necessarily be eligible for an ECA. So make sure you specify that as one of your requirements before buying.

## First-year allowances for energy saving products



### CHP scheme

A CHP scheme generates heat and power - usually electricity - simultaneously through a single process. To claim an ECA on CHP equipment, you need a **Certificate of Energy Efficiency**. This shows what percentage of the total investment qualifies for an ECA.

To qualify for a Certificate of Energy Efficiency, you must first get a Combined Heat and Power Quality Assurance (CHPQA) certificate. If you're going to use the certificate to claim an ECA, you should say so when you apply. The CHPQA administrator will then also issue the Certificate of Energy Efficiency and you can claim an ECA on the eligible part of your investment.

If the certificate is later revoked, you will need to amend the relevant tax return to withdraw any 100 per cent first-year allowance claimed.

### Lighting

**High-efficiency lighting units are a combination of a light fitting (luminaries), one or more lamps, and associated control gear - assembled into a single packaged unit. It must be a packaged unit - separately the components don't comply with the ETL criteria.**

**To claim an ECA on new lighting equipment, ask the manufacturer or supplier to confirm that the products comply with the criteria and qualify for an ECA. You can use that confirmation to support your ECA claim.**



**Brilliantz** has a complete portfolio of lighting which has been certified as compliant with the requirements of the Government's **“Enhanced Capital Allowances”** scheme and which could help transform your business.