

ENHANCED CAPITAL ALLOWANCE SCHEME

What is the ECA 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), against their taxable profits.

The general rate of capital allowances is 18% 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 8%.

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.

Eligibility Criteria and Claim Values

For a product to be eligible for ECAs it must meet specific energy saving eligibility criteria. There are several different technology categories included on the ECA scheme, many of which are sub-divided into sub-technology categories. The eligibility criteria for each category is reviewed each year and updated to reflect technological and market developments. New technology categories can be added to the scheme each year following approval by the Department of Energy and Climate Change (DECC), Her Majesty's Revenue and Customs (HMRC) and the Treasury.

As well as determining eligibility for an ECA, the criteria can be used by businesses and manufacturers to enhance specifications and aid product development.

The current eligibility criteria and claim values can be found for each specific technology area at <https://etl.decc.gov.uk/etl/site.html>

Claiming an Enhanced Capital Allowance (ECA)

An ECA is claimed through a business's income or corporation tax return in the same way as any other capital allowance. However there are different types of supporting evidence needed dependent on whether your product is in a non-listed or listed technology area.

Non-listed technology areas

Some technologies categories supported by the ECA Scheme, namely CHP, component based AMT, lighting, and pipework insulation, do not have products listed on the Energy Technology Product List. Products in these technology categories qualify for an ECA when the product meets the relevant

eligibility criteria. Qualifying products are not listed on the Energy Technology Product List because it is impractical to list all possible product variations.

For these areas, it is recommended that you obtain confirmation from your equipment supplier/installer that the equipment you have purchased meets the ECA Scheme eligibility criteria currently in force.

Listed technology areas

Products in all other supported technology categories need to be listed on the Energy Technology Product List at the time of purchase in order to be eligible for an ECA. Claims should be based on the invoice value of the eligible product. Claims may include additional direct costs such as the transportation and installation of equipment, and professional fees, although this should be discussed with your tax advisor or HMRC in advance.

For further information, guidance and advice on what costs qualify for an ECA claim, consult your tax advisor or visit the [HMRC website](#).

For more information visit the ECA website at <https://etl.decc.gov.uk/etl/site.html> or download the ECA for Pipework insulation at <http://timsa.associationhouse.org.uk/default.php?cmd=213>