



The Motor Control Warehouse

Enhanced Capital Allowances For Energy Saving plant And machinery

MCW Hints & Tips 0006

Enhanced Capital Allowances (ECAs) enable a business to claim 100% first-year capital allowances on their spending on qualifying plant and machinery and where variable speed drives and EFF1 high efficiency motors are concerned as these are:

- Energy-saving plant and machinery - motors and drives

Businesses can write off the whole of the capital cost of their investment in these technologies against their taxable profits of the period during which they make the investment.

Claiming an Enhanced Capital Allowance

ECAs are claimed in the business's income tax or corporation tax return the same way as other capital allowances. The documentation you need to make an ECA claim depends on the type of energy-saving equipment purchased. This section will tell you all you need to know about making an ECA claim for products from different technology categories.

In essence if the equipment being purchased and installed is listed on the ECA web site at the time of purchase. Then a valid claim can be submitted with the Companies annual tax return.

Technology types

There are two different groups of energy-saving technology that qualify for an ECA.



- Listed products meet the criteria presented in the Energy Technology Criteria List (ETCL) and are listed on the Energy Technology Product List (ETPL).

Listed products

Listed products are those that qualify for an Enhanced Capital Allowance (ECA), and appear on the Energy Technology Product List. If the equipment you purchase is listed, making a claim should be straightforward.

Claiming for listed products

For products on the Energy Technology Product List, you can claim on the cost of the equipment itself, and other costs directly involved in installing it. These include:

- Transportation — the cost of getting equipment to the site.
- Installation — cramage (to lift heavy equipment into place), project management costs and labour, plus any necessary modifications to the site or existing equipment.
- Professional Fees — if they are directly related to the acquisition and installation of the equipment.

Any remote or indirect costs do not qualify for the ECA — for example, staff time spent taken to select the right equipment. Remember, only new equipment is eligible for an ECA — used or second hand equipment does not qualify.

If the product you purchase forms part of a larger piece of equipment, you should refer to the published claim values section of the ECA website to find out what proportion of the total cost qualifies for the ECA.

For further information on Budget 2008 and guidance and advice on what costs qualify for an ECA claim, consult your tax advisor or visit the HM Revenue and Customs (HMRC) website.

- Non-listed products also meet the ETCL but are not listed on the ETPL.

Non-listed products meet the Energy Technology Criteria, but don't appear on the Energy Technology Product List (ETPL). Claiming for these items is slightly more complex, and the process changes depending on which technology group the product is in.

Non-listed products fall into four categories. Click on the link for each one to find out what you need to do to make a claim:



- Component based automatic monitoring and targeting equipment (AMT).
- Combined heat and power (CHP).
- Lighting.
- Pipework insulation.

Why are products in these categories not on the ETPL?

To claim an allowance on component based AMT or CHP equipment, companies need to get certification from the Department for Environment, Food and Rural Affairs – it is not simply a matter of installing a particular product. Therefore, eligible equipment in these two categories doesn't appear on the ETPL.

With lighting and pipework insulation, there are so many product variations that it would be impractical to list all of them. Manufacturers of equipment in these an ECA. categories will be able to advise customers on which of their products are eligible for an ECA. Those that have completed 'Energy Technology List supplier assessments' are listed on this website.

While the process of claiming an ECA is always the same, the steps you need to take to make a valid claim can vary.

Some products that don't qualify for an ECA might have one or more components that do. For these, there will be a claim value to show how much of the total cost is eligible for an ECA. Find out more about claim values.

What are claim values?

A claim value can be applied to a piece of equipment that is not supported by the Enhanced Capital Allowance (ECA) scheme, but has components that meet the energy technology list criteria.

Take, for example, *a motor* that qualifies for the Energy Technology Criteria List (ETCL) but sits within a non-ETCL qualifying compressor. The claim value equals the proportion of the total investment that qualifies for the allowance, and should be used when making a claim.

How do claim values work?

If you invest in a stand-alone item that meets the ECA energy criteria, you can claim the full cost of the product and related installation costs. However, if you purchase a piece of equipment that doesn't qualify, but has components that do, you can only claim for the costs relating to these. The remainder of the equipment will be eligible for a Capital Allowance.



How do you calculate the claim value?

Products that often form a small part of a larger piece of equipment have published claim values that should form the basis of an ECA application. Use the dropdown menus on the ECA web site to find out the claim values for different technologies and sub-technologies.

How do you claim an ECA?

ECA claims should be submitted as part of your normal corporate or income tax return.

It's important to retain all documents relating to your ECA claim, including invoices, dated screen prints from the ECA website and anything from the company that installs the equipment. HMRC may investigate any aspect of a tax return and you should have all necessary evidence to hand to support your claim.

For more information please refer to HM Revenue and Customs web site (HMRC) and the sections below:

- CA20000 - Plant and Machinery Allowance (PMA)
- CA23100 - PMA: First year allowance (FYA)

Link to ECA web site

<https://www.eca.gov.uk/et/default.htm>

Carbon trust advice line telephone number - 0800 085 2005.

