

Number	030
Subject	Enhanced Capital Allowances
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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 Government introduced the ECA scheme in 2001 to encourage businesses to invest in low carbon, energy-saving equipment. As part of the Climate Change Levy Programme, it's designed to help the UK reach its Kyoto target of reducing carbon emissions by 20%.

The scheme provides a tax incentive to businesses that invest in equipment that meets published energy-saving criteria. The Energy Technology List (ETL) details the criteria for each type of technology, and lists those products in each category that meet them. It is managed by the Carbon Trust, on behalf of the Government

100 per cent first-year ECA's allow the full cost of an investment in designated energy-saving plant and machinery to be written off against the taxable profits of the period in which the investment is made.

A number of Hitachi Air Conditioning Products are included on this list. It is always advisable to check on the status of the product at the time of purchase as the Carbon Trust continuously strives for improved energy efficiency from its partners.

### Features of the ECA scheme

- Open to all businesses that pay UK corporation or income tax, regardless of size, sector or location.
- Provides 100% first-year capital allowances on investments in energy-saving equipment against taxable profits of the period of investment.
- Capital allowances are available for spending "on the provision of" plant and machinery. This can include certain costs arising as a direct result of the installation of qualifying plant and machinery such as; transport of the equipment to the site, and some direct installation costs.

### Example

Installation	=	£10,000.00
Company profits	=	£20,000.00
End-User pays tax on the difference		(£10,000.00)

At Corporation Tax of 30% this is equal to **£3,000.00** nett saving on the total project cost.