



Enterprise Zones: enhanced capital allowances

Who is likely to be affected?

Companies investing in plant or machinery in designated enhanced capital allowance (ECA) sites in Enterprise Zones.

General description of the measure

This measure extends to 31 March 2020 the period in which businesses investing in new plant and machinery in ECA sites in Enterprise Zones can qualify for 100 per cent capital allowances.

Policy objective

Enterprise Zones are designed to encourage economic growth and investment. ECAs are intended to contribute to this objective by promoting capital investment by companies in a number of designated ECA sites within Enterprise Zones.

Background to the measure

ECAs in Enterprise Zones were introduced in 2012 for a five year period to 31 March 2017.

The Government announced at Budget 2014 that the measure would be extended for a further three years to 2020.

Detailed proposal

Operative date

The availability of ECAs will be extended for a further three years to 31 March 2020.

Current law

Capital allowances allow businesses to write down the costs of qualifying plant and machinery assets against their taxable income. Any qualifying expenditure, not covered by a claim to the annual investment allowance (AIA) or an ECA, qualifies for writing-down allowances at either 18 per cent or 8 per cent a year depending on the nature of the asset.

The Enterprise Zone legislation is found at sections 45K to 45N Capital Allowances Act 2001. This provides 100 per cent ECAs for expenditure incurred by companies on qualifying plant or machinery for use primarily in designated sites within Enterprise Zones, subject to certain conditions. The qualifying expenditure must be incurred between 1 April 2012 and 31 March 2017, and the area in which the plant or machinery is to be used must be an Assisted Area at the time that the expenditure is incurred.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to extend to 31 March 2020 the period in which ECAs are available in Enterprise Zones.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	-	-	-	nil	nil
	This measure is not expected to have an Exchequer impact.				
Economic impact	The extension of the ECA for a further three years is expected to support further investment in Enterprise Zones.				
Impact on individuals and households	There is no impact on individuals or households. This change only affects companies that invest in plant or machinery in designated sites in Enterprise Zones.				
Equalities impacts	The proposals have no impacts on protected equality groups.				
Impact on business including civil society organisations	Companies qualifying for ECAs in Enterprise Zones will benefit from 100 per cent first-year allowances, which will enable them to write off qualifying expenditure more quickly for tax purposes. The impacts of this measure on businesses' administrative burdens are expected to be negligible as the change simply extends the relief and does not make any changes to the scope of the relief.				
Operational impact (£m) (HMRC or other)	There will be a small cost for HM Revenue & Customs in updating guidance and instructions.				
Other impacts	<p><u>Small and micro business assessment</u>: the majority of small and micro businesses will be able to write down all of their capital investment under the AIA. ECAs in Enterprise Zones are more likely to benefit businesses undertaking large capital investment.</p> <p>Other impacts have been considered and none have been identified.</p>				

Monitoring and evaluation

The measure will be monitored and assessed alongside other measures in the Government's package for Enterprise Zones.

Further advice

If you have any questions about this change, please contact Nick Williams on 03000 585660 (email: nicholas.williams@hmrc.gsi.gov.uk).