



Department for  
Business, Energy  
& Industrial Strategy



Energy Technology List  
ECA SCHEME

## Plant or machinery capital allowances:

The Energy Technology List (ETL) and Enhanced Capital Allowance (ECA) Scheme



# Introduction

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This presentation provides high level information about plant and machinery tax capital allowances.

The presentation is divided into sections that answer the following questions:

- 1 What are capital allowances?
- 2 How do I claim an ECA?
- 3 Additional information

Withdrawn



# 1

**What are capital allowances?**  
Plant or machinery





# Capital allowances

You can claim capital allowances when you buy assets that you keep to use in your business, e.g.:

- equipment
- machinery

These are known as ‘plant and machinery’.

- You can deduct some or all of the value of the item from your profits before you pay tax.



# Capital allowance vs depreciation

Capital allowance and depreciation are for different purposes:

- ***Depreciation is an accounting concept.*** It is a method of reallocating the cost of a tangible asset over its useful life span.
- ***Capital allowance is a tax concept.*** It is a method of reallocating the taxable benefit of a tangible asset over its useful life span.

Depreciation is not allowed as a deduction for tax purposes, and must be added back to net profit for tax purposes. A capital allowance is given instead of depreciation for certain types of asset.

**Capital allowances are the sums of money a UK business can deduct from the overall corporate or income tax on its profits.**



# Qualifying costs



- **Qualifying costs** include the cost of buying the equipment as well as other direct costs involved, such as the **installation** and **transportation costs** of the purchased equipment (see [ETL Technology Criteria](#) for further details).  
E.g. for Biomass Boilers, the Scope of the Claim in the ETL criteria (updated 2016) is:

## Scope of Claim

*Expenditure on the provision of plant and machinery can include not only the actual costs of buying the equipment, but other direct costs such as the transport of the equipment to site, and some of the direct costs of installation. Clarity on the eligibility of direct costs is available from HMRC.*

The invoiced cost of the equipment is normally the amount claimed. Where there is a piece of equipment that is eligible for an ECA, e.g. an ETL listed motor, which is part of a larger piece of equipment that isn't on the ETL, then if the price of the motor cannot be separated out on the invoice, then the ETL Claims Values document could be used. See: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/694124/energy\\_technology\\_list\\_claim\\_values\\_february\\_2018.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/694124/energy_technology_list_claim_values_february_2018.pdf)

# Plant or machinery capital allowance choices



It is up to each business to select the appropriate tax option for its particular circumstance. In choices as to which capital allowance option to pursue a business should take financial advice from its tax advisers.

## Enhanced Capital Allowance (ECA)

- Businesses can write off 100% of the qualifying costs on eligible Plant and Machinery against the taxable profits in the first-year, i.e. the year the investment is made.
- There is no cap on the amount that profit making businesses can claim. There is a cap on the amount that can be claimed by loss making businesses\*.

## Writing Down Allowances (WDA)

- Businesses can write off 18% (or 8% for some technologies, “Special Pool Rate”) of the qualifying costs against the taxable profits per year on a reducing balance basis.
- Relief is spread over several years.

## Annual Investment Allowance (AIA)

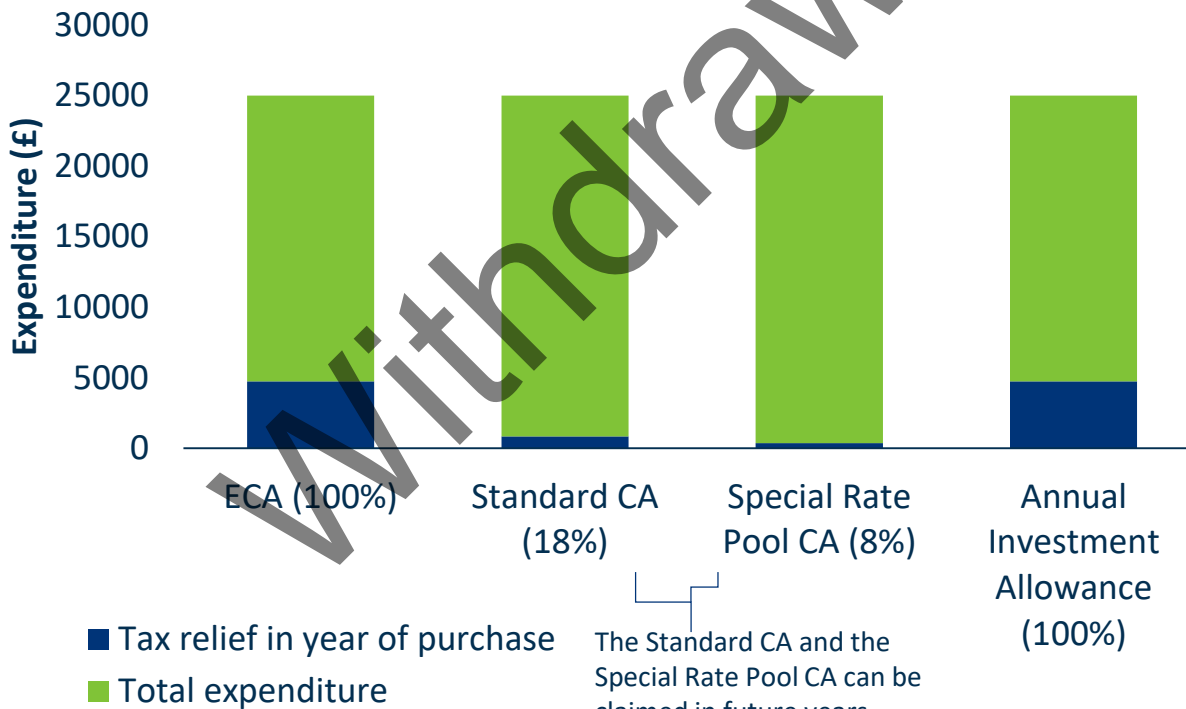
- Businesses can write off 100% of the qualifying costs on eligible Plant and Machinery against the taxable profits in the first-year, i.e. the year the investment is made.
- The AIA is capped. From 1 January 2016 the AIA was capped at £200,000.

\*The Government announced at Autumn Budget 2017 an extension to the lifespan of the tax relief for loss making businesses (who purchase items from the ETL). The rate claimable will now be two-thirds of the Corporation Tax rate.



## Visual comparison between tax relief options

### Tax relief for £25,000 of spending on qualifying purchases



The ECA value in the year of purchase is **nearly 6 times** the value of the standard Capital Allowance (CA); and **12.5 times** the value of the special rate pool CA; and is the same as the AIA





# A businesses use of capital allowances



- If a business incurs no more than £200,000 qualifying expenditure in an accounting period, they would probably choose to claim the AIA for all of the expenditure (as this is an easier option than working out whether the conditions for ECAs are met).
- If the **AIA** limits have been met then the business could take advantage of other capital allowance tax reliefs:
  - **An Enhanced Capital Allowance** could be claimed on additional ETL eligible plant and machinery purchases.
  - **Writing Down Allowances (WDA)** could be claimed on non-ETL eligible plant and machinery purchases.



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# 2

How do I claim an ECA?



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# How do you claim an ECA?

1

## Consult the ETL for “listed” technologies or ETL criteria for “unlisted” technologies

For “unlisted”\* ETL technologies your manufacturer will need to review products against the ETL criteria. If a product complies with the criteria, it is eligible for an ECA claim. The manufacturer will need to provide compliance information and a letter stating that the product(s) being purchased are ETL compliant and eligible for an ECA claim. This must be supported by other technical information (e.g. technical data sheets) to substantiate the claim.

2

Make a qualifying Capital purchase  
It’s important to talk to your business’s accountant at an early stage

Information about capital allowances and balancing charges  
Allowance and charges: In calculation of trading profits and losses

	Capital allowances	Balancing charges
Annual investment allowance	<input type="checkbox"/>	<input type="checkbox"/>
Machinery and plant on long life assets (up to 6 years)	<input type="checkbox"/>	<input type="checkbox"/>
Machinery and plant on long life assets (over 6 years)	<input type="checkbox"/>	<input type="checkbox"/>
Business premises	<input type="checkbox"/>	<input type="checkbox"/>
Enterprise zones	<input type="checkbox"/>	<input type="checkbox"/>
Zero emissions power vehicles	<input type="checkbox"/>	<input type="checkbox"/>
Other allowances and charges	<input type="checkbox"/>	<input type="checkbox"/>

Allowance and charges not included in calculation of trading profits and losses

	Capital allowances	Balancing charges
Annual investment allowance	<input type="checkbox"/>	<input type="checkbox"/>
Business premises	<input type="checkbox"/>	<input type="checkbox"/>
Enterprise zones	<input type="checkbox"/>	<input type="checkbox"/>
Zero emissions power vehicles	<input type="checkbox"/>	<input type="checkbox"/>
Other allowances and charges	<input type="checkbox"/>	<input type="checkbox"/>

Qualifying expenditure

<input checked="" type="checkbox"/> Machinery and plant on which first year allowance is claimed	<input type="checkbox"/>
<input checked="" type="checkbox"/> Depreciated exponentially (heavy machinery and plant)	<input type="checkbox"/>
<input checked="" type="checkbox"/> Machinery and plant on long life assets and integral fixtures	<input type="checkbox"/>
<input checked="" type="checkbox"/> Other machinery and plant	<input type="checkbox"/>

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3

Keep supporting documentation (invoice, etc.)  
For “listed” ETL technologies, purchasers should make sure to print a screenshot demonstrating that the product was listed on the ETL at the date of purchase

4

## Claim allowance

For more information about claiming allowances, please visit the HMRC website at <https://www.gov.uk/capital-allowances/first-year-allowances>

\*A different process applies for Combined Heat and Power (CHP). See more information in the [ETL criteria](#).



# 3

## Additional information





# Where can I find more information?

**For more information on the ECA scheme:**

**For tax questions please visit the HM Revenue & Customs website:**

<https://www.gov.uk/capital-allowances/first-year-allowances>

or contact Tunde Ojetola, [tunde.ojetola@hmrc.gsi.gov.uk](mailto:tunde.ojetola@hmrc.gsi.gov.uk)

**For information about the ETL please visit:** <https://www.gov.uk/guidance/energy-technology-list>

See our [Information for Purchasers factsheet](#) or contact the ETL Helpline on: 0300 330 0657; email [ECAQuestions@carbontrust.com](mailto:ECAQuestions@carbontrust.com).

**To search for a product on the ETL please visit:**

[https://etl.beis.gov.uk/engetl/fox/live/ETL\\_PUBLIC\\_PRODUCT\\_SEARCH](https://etl.beis.gov.uk/engetl/fox/live/ETL_PUBLIC_PRODUCT_SEARCH)

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