



Enhanced Capital Allowance (ECA) Scheme

LEGISLATION

ECA L002

The Enhanced Capital Allowance (ECA) scheme provides businesses with enhanced tax relief for investment in energy-saving equipment that meets specified Government criteria. It allows 100% of the investment to be written off against taxable profit in the year the investment is made.



The Enhanced Capital Allowance (ECA) scheme is designed to encourage businesses to invest in low carbon, energy saving equipment and is part of the Government's programme to manage climate change.

By allowing 100% of investment to be offset against taxable profits in one year, it can bring significant financial benefits to businesses as well as improving their energy efficiency and carbon emissions.

What is the Enhanced Capital Allowance scheme?

The Enhanced Capital Allowance (ECA) scheme is designed to encourage businesses to reduce the amount of carbon they release into the atmosphere.

The ECA scheme provides an incentive for businesses to invest in energy-saving plant and machinery by allowing businesses to offset their entire investment against taxable profit in the same year as the investment is made. For investments outside of the ECA scheme, the standard capital allowance rate per year is a maximum of 25% on the reducing balance.

In order to qualify for the ECA scheme, the energy-saving investment must meet specific energy efficiency criteria, a list of which is available at www.eca.gov.uk/etl/criteria. Also published by the Carbon Trust on behalf of the Government is the Energy Technology List; a list of products that are currently eligible for ECA relief. This is available at www.eca.gov.uk/etl/find.

What technologies are included in the ECA?

The Energy Technology List (ETL) is a definitive list of all the products that qualify for the ECA. The list covers approximately the top 20% of air conditioning systems (typically those that are A-A energy rated) and is updated regularly to ensure that it includes the most energy efficient products currently available.

It is not however a definitive procurement list of energy efficient products. The Carbon Trust notes that, "Whilst the inclusion of a particular product on the ETL signifies that the product is (a) energy efficient; and (b) eligible for enhanced capital allowance relief, the absence of a product from the ETL does not necessarily signify that a given product is not energy efficient."

The list of technology eligible for enhanced capital allowances includes energy efficient air conditioning equipment, such as air source heat pumps. A heat pump can deliver a wide range of system requirements, including fully integrated heating, cooling, hot water, ventilation and heat recovery for complex buildings. Because they are a renewable energy technology, air source heat pumps can deliver significant energy and carbon savings.

How can I find products eligible for ECA relief?

You can find out whether a product is eligible for ECA relief by searching for a particular manufacturer or product, using the quick search tool on the home page of the ECA website at www.eca.gov.uk/etl.

Daikin split, multi-split and VRV heat pump systems are included on the Energy Technology List, with over 100 products currently qualifying for ECA tax relief*.

These Daikin products exceed the energy efficiency criteria for the ECA scheme, which states that air source heat pumps – including split and multi-split – must have a Coefficient of Performance (CoP) of 3.6 and an Energy Efficiency Ratio (EER) of 3.2 or more. VRV systems must have a combination CoP of 3.7 and a combination EER of 3.3.

How does a business claim ECA?

ECA is claimed on a company's tax return in the same way as other capital allowances. All documentation, such as invoices or dated screen prints from the ECA website, relating to the claim should be retained.

Can installation and transport costs be claimed for?

The ECA scheme is open to all UK businesses that pay Corporation Tax or Income Tax, providing they have used equipment on the ETL that is new and unused. As well as the cost of the equipment, the cost of transport and some installation costs can also be included in the claim.

More details of how to claim can be found at: www.eca.gov.uk/etl/claim.

*Correct at time of publication: March 2010.

