

INTELLIGENT



ENERGY SAVING LIGHTING

A Trading Division Of Midlands Electrical & Lighting Ltd
Unit 4 Hartburn Close Crow Lane Industrial Estate
Northampton NN3 9UE

Enhanced Capital Allowances

When choosing to purchase Intelligent Energy Saving Lighting from I.E.S.L, you may be eligible to claim Enhanced Capital Allowances. The detail below is extracted from the government guidelines; the full content of which can be found at:

http://www.eca.gov.uk/etl/about/_what.htm

What is the ECA scheme?

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

Why was it introduced?

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%.

Climate change is becoming one of the biggest threats to our planet's environment, and the biggest cause of this is carbon emissions produced by burning fossil fuels. Around half of these come from businesses and industrial processes, so it's important that efforts to reduce emissions focus on these areas.

There are three ECA schemes which provide enhanced tax relief for spending on equipment which has environmental benefits: energy-saving equipment, water-efficient equipment and low carbon dioxide emission cars. This website focuses on energy-saving products and technologies.

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What does the ECA Energy scheme involve?

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, and has two parts:

1. The Energy Technology Criteria List (ETCL), which is reviewed annually as part of to ensure that it reflects technological progress. It sets out the qualifying energy-saving criteria for each class of technology. See how the energy-saving criteria have changed over the years.
2. The Energy Technology Product List (ETPL), updated at the start of each month on this website, lists the products and technologies that are eligible for an ECA.

The ETPL also contains details of the maximum claim values for qualifying products which comprise a component in a larger piece of plant and machinery, which does not itself qualify for ECAs.

Key Features of the ECA scheme

1. 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.
2. All the products listed on the ETPL must meet the energy-saving criteria, published in the ETCL.
3. Only spending on new and unused energy-saving equipment can qualify for ECAs.
4. 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.

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.

Enhanced Capital Allowances (ECA) allows the cost of an investment to be written off against the taxable profits of the period in which the investment is made. This can boost cash flow along with the comfort that your purchase will also benefit from reduced energy bills due to their energy efficient nature.

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There are no catches or drawbacks to the scheme and it really should be seen as an incentive. The vast majority of market leading brands appear on the ETL giving you the peace of mind that manufacturer is both familiar and reputable.

For more information please refer to the ECA website <http://www.eca.gov.uk/etl/>

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 (HMRC)

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 to find out the claim values for different technologies and sub-technologies.

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Energy technology list updates

Since being published in 2001, the Energy Technology List (ETL) has been updated every year as part of the Government's Budget cycle. The update can include the introduction of new technologies to the list, providing they meet the necessary criteria and that it is financially viable to add them. The Government might also amend criteria for technologies already on the list. Any proposals for new technologies to be added must also fit with the Budget timetable, so they must reach the Carbon Trust during the previous summer for review. Manufacturers who want to propose a new technology category for inclusion on the list should speak to the Carbon Trust at the earliest opportunity about their proposal.

The changes to the ETCL for 2008 were:

1. Compressed Air Equipment
2. Flow Controller
3. Master Controllers
4. Heat Pumps for Space Heating
5. Heat Pump Dehumidifiers
- 6. Lighting**
7. White light emitting diodes for accent and amenity display lighting

'Housekeeping' changes to the current eligibility criteria in 11 areas as follows:

1. Boiler Equipment
2. Biomass Boilers and Room Heaters
3. Gas-fired Condensing Water Heaters
4. Localised Rapid Steam Generators
5. Steam Boilers
6. Compressed Air Equipment
7. Refrigerated Air Dryers
- 8. Lighting**
- 9. Controls**
- 10. High Efficiency Lighting Units**
11. Motors and Drives
12. Variable Speed Drives
13. Integrated Motor Drives
14. Refrigeration Equipment
15. Packaged Chillers
16. Compressors

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There may be more minor changes to the eligibility criteria in some other technology categories, such as the updating of standards and the evidence required to be provided with applications. These minor changes are not expected to affect currently listed products.

Claiming an Enhanced Capital Allowance (ECA)

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.

Technology types

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

1. Listed products meet the criteria presented in the Energy Technology Criteria List (ETCL) and are listed on the Energy Technology Product List (ETPL).
2. Non-listed products also meet the ETCL but are not listed on the ETPL.

While the process of claiming an ECA is always the same, the steps you need to take to make a valid claim can vary. The table below shows which technology groups are listed and which are not, and indicates what additional documentation is needed to support an ECA claim.

ETL technology matrix for claiming

	CHP	Lighting	Pipework Insulation	AMT (component)	AMT (potable)	Other
Meets ETCL	✓	✓	✓	✓	✓	✓
Product Listed on ETPL	-	-	-	-	✓	✓
Certification required	✓	-	-	✓	-	-

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.