



YOUR GUIDE TO THE ECA SCHEME

Accelerated tax relief with energy efficient technology

Reduce CO₂ emissions | Reduce energy costs | Boost your bottom line

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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.

The ECA scheme can bring significant financial savings, in the short and long-term, as well as improving a company's energy efficiency and its impact on the environment.

www.daikin.co.uk



Reduce energy costs and CO₂ emissions

With rising energy prices and the growing demand to go green, many businesses are facing challenges in reducing their running costs while trying to achieve a smaller carbon footprint. It can often appear difficult knowing how to achieve energy savings without making sizeable investment or compromising 'business as usual' operations. There is an answer.

The Government's Enhanced Capital Allowance (ECA) Scheme, managed by the Carbon Trust, is designed to encourage manufacturers to produce increasingly more efficient equipment. To qualify equipment must meet stringent energy levels set by the Carbon Trust (the top 15-20% of the market is their mark). End user companies are able to benefit by an accelerated tax relief.

Any partnership or business making a profit and paying (corporation) tax can benefit from the scheme to start making immediate cost savings and improve their environmental credentials.

Since April 2008 any loss making business is eligible to apply for a payable ECA (excludes partnerships). Providing their ECA purchase is less than their loss, they can claim a Payable ECA of 19% on the value of their purchase of qualifying equipment. See www.hmrc.gov.uk and search for 'Payable ECA'.

How does it work?

The generally available Capital Allowance lets you deduct 25% of qualifying capital expenditure from pre tax profits. This is repeated on the 75% residue the following year and every year thereafter until the equipment is amortised. Normal Capital Allowance can therefore take many years to claim.

The ECA scheme provides businesses with 100% first year tax relief on their qualifying capital expenditure. This boosts cash flow, reduces borrowing, increases investment and over time is worth far more than normal capital allowance. An ECA qualifying air conditioning installation not only includes the equipment but also the design, transport, craning, installation costs and commissioning. ECA of 100% of this total sum can be claimed against pre tax profits in the first year.

For example, if corporation tax is 30% then for every £1000 spent on the installation there will be a one off reduction in first year tax bill of £300.

For normal capital allowance this would be £75 in the first year, £56.25 in the second, £42.18 in the third and so on. This saving is also enhanced by the reduction in energy bills as it relates to lower energy use compared to less efficient equipment.

Why it pays to invest in energy efficiency

New technology will of course call on investment and more energy efficient products often command a premium. Opting for the cheapest option can appear to be the most cost effective choice, but choosing technologies to deliver immediate cost savings will often prove to be a false economy.

A higher value, but more energy efficient product will help to reduce energy costs, making it a more sound investment in the long term, as well as reduce CO₂ emissions. Qualification through the ECA scheme will make the product even more cost effective due to the accelerated tax relief available.

So what equipment should I be investing in?

All manner of products can deliver energy efficiencies, but to maximise investment it is important to select products that will deliver cost savings as well as improve your business.

Air conditioning is the perfect example. Even though air conditioning in businesses normally accounts for less than a third of annual energy bills (Carbon Trust report) improving energy efficiency in this area has the potential to lead to significant energy and cost savings.

The benefits don't stop there. Modern air conditioning equipment can provide both cooling and heating making it more cost effective to upgrade and install than standard heating systems, as well as giving you greater control of your working environment.

What details are needed to claim ECA?

ECA can only be claimed on equipment that appears on the Energy Technology List (ETL). Due to the nature of this list, it is updated on a regular basis. For this reason added and removed dates can also be found at this website. This list can be found at www.eca.gov.uk/etl. The installation invoice will be the evidence needed by HMRC. This must show or be accompanied by a list of indoor and outdoor combinations which mirror the products in the Product name or VRF file.

The submission is made with the company/partnership tax return as advised by the company's accountant.

Finding products on the ETL

To find a list of qualifying Daikin heat pumps go to www.eca.gov.uk/etl

1. Click on **Find an ETL Product** (left side of page)
2. Under **Technology**, select **Heat Pumps: Air Source: Split and Multi-split (incl VRF)**
3. Under **Manufacturer**, select **Daikin Europe NV**
4. Leave the other fields blank and click **SEARCH**

To find a list of Daikin Multi Model combinations

1. Follow steps 1 to 4 above.
2. Under the column **Product Name**, select and click on the multi outdoor unit you are looking for.

To find a list of Daikin VRV® products When viewing the list of products, filter the list by Split Type (Variable Refrigerant Flow (VRF)). You will then see in the **Download VRF File** column a link to an Excel spreadsheet. Right click this file and save the file to your computer using 'Save Target As'.

Open the spreadsheet and follow the instructions guiding you to the **VRF ETL Compliance check** sheet. Fill in the VRV® combinations one by one to see if they qualify.

For more information about the ECA Scheme and the ETL, please visit www.eca.gov.uk/energy.