



Enhanced Capital Allowances

Enhanced Capital Allowances (ECAs) are a tax relief given through the tax system by reducing the taxable profits of the business. The ECA scheme builds on existing statutory provisions, under which businesses may obtain tax relief, in the form of capital allowances, for their investment in plant and machinery. Capital allowances allow the costs of capital assets to be written off against a business's taxable profits. They take the place of depreciation charged in the commercial accounts which is not allowed for tax. The main rate of allowances for plant and machinery is 25% a year on the reducing balance basis, which spreads the benefit over a number of years (about 95% of the cost is relieved in 8 years). ECAs have been granted in other areas before but this is the first time that they have been introduced for use to support energy efficiency. ECAs enable businesses to claim 100% first-year capital allowances on their investment in designated energy-saving plant and machinery in the year in which the expenditure is incurred. ECAs bring forward relief, so that it can be set against profits of a period earlier than would otherwise be the case.

The benefit to businesses of ECAs is thus a cash flow boost resulting from the reduction of the business's tax bill of the year in which the investment is made.

Capital Allowances can be claimed on capital expenditure incurred on the provision of plant and machinery for use in a business's trade. It is a requirement of the legislation that as a result of incurring the expenditure the machinery or plant belongs to the person making the claim.

The benefit of purchasing your new Air Conditioning System on Hire Purchase is two fold. Firstly, you are able to include your purchase within the above tax allowance scheme, ensuring your company can then claim the additional tax allowances in year one. Secondly, you can spread the payments up to 5 years, enabling you to benefit from an improved cash flow both from the monthly payments, and, the taxable allowances.

- Take advantage of both tax allowances and traditional cash flow benefits of leasing
- Immediate, year one tax relief
- Preservation of cash resources

