

# ECA qualifying Fusion Scroll commercial refrigeration units

[www.jordon.co.uk](http://www.jordon.co.uk)

Enhanced Capital Allowance explained

Reduced operating costs

Interest free loans



## Setting the scene

It is estimated that commercial and retail refrigeration uses 16,000 million kWh of electricity per annum in the UK. This results in a cost of £1.3 billion and seven million tonnes of CO<sub>2</sub> (MtCO<sub>2</sub>) emissions<sup>1</sup>.

The proportion of electricity used by commercial and retail refrigeration equipment is significant for most users. Examples<sup>2</sup> include:

- Around 30% of electricity consumption of pubs and clubs
- Around 50% of electricity consumption of supermarkets
- Around 70% of electricity consumption of smaller shops
- Around 90% of electricity consumption of cold store operators

Source: Carbon Trust - Technology Information leaflet ECA769  
1 'UK emissions of PFCs, HFCs and SF6', Enviro, 1000  
2. Based on author knowledge

## Did you know?

**Energy efficient systems are more reliable.** Efficient systems tend not to work as hard, and therefore break down less frequently.

## The Carbon Trust

The Carbon Trust is an independent company that manages the Energy Technology List (ETL) and promotion of the Enhanced Capital Allowance (ECA) scheme on behalf of the Government.

The scheme is run to help bring about low carbon economy and reduce UK CO<sub>2</sub> emissions by:

- Influencing the design, availability and uptake of the most efficient types within the remit of the scheme
- Promoting the ETL as a principal procurement tool for designers, specifiers and purchasers interested in energy saving capital

## Reduced Operating Costs

Businesses are often tempted to opt for equipment with the lowest purchase cost.

Considering the future operating cost of the equipment before investing can help make the right investment decision - one that reduces future expense.

Investing in ETL equipment reduces operating costs. Improved energy efficiency results in lower energy bills, reduced climate change levy payments and shortens payback periods.

## Enhanced Capital Allowance

Enhanced Capital Allowances (ECAs) enable a business to claim 100% first-year capital allowances on their spending on qualifying plant and machinery.

Businesses can write off the whole of the capital cost of their investment in these technologies against their taxable profits of the period during which they make the investment.

This can deliver a helpful cash flow boost and a shortened payback period.

**J & E Hall Fusion Scroll** commercial refrigeration units are ECA accredited and have been added to the Energy Technology List by the Carbon Trust.



### Useful links:

For full details on enhanced capital allowance visit [www.eca.gov.uk](http://www.eca.gov.uk)



Manufacturing • Refrigeration • Commercial • Services

## Who can qualify?

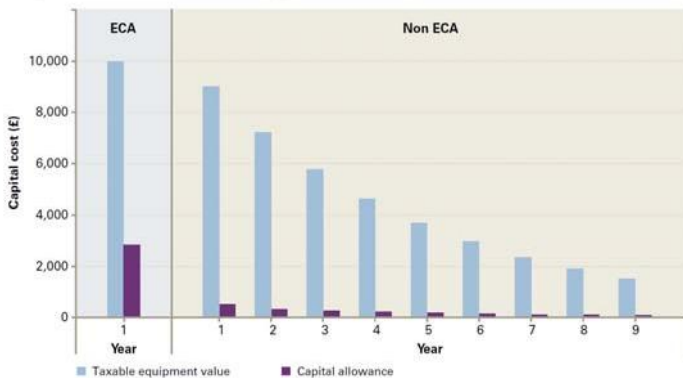
Enhanced Capital Allowance is only available to an end user who pays company tax. Government establishments, NHS and Schools etc are not included in the scheme.

## The incentives

The general rate of capital allowances for plant and machinery is 20% a year on the reducing balance basis. Relief is spread over a number of years. On £1,000 spent, in the year of purchase the effect of the allowances would reduce the business's tax bill by £52 (assuming company pays 26% tax on profits).

100% first-year enhanced allowances allow a business to write off all the qualifying spending against the taxable profits of the period of investment. On £1,000 spent, in the year of purchase the effect of the allowances would reduce the business's tax bill by £260 (assuming company pays 26% tax on profits).

### Comparison of the tax benefit between ETL and non-ETL equipment\*



\* Annual Investment Allowances have not been taken into account.  
Source: Carbon Trust - Technology information leaflet ECA272

## Benefits to purchasers

- ➔ 100% first-year enhanced capital allowances (ECA) allow a greater proportion of the cost of an investment to qualify for tax relief against a business's profits of the period of investment
- ➔ Provides financial incentive to end users
  - Potentially reduce running costs through increased efficiency
  - Reduce payback periods
- ➔ Reduced energy consumption means lower energy bills and reduced Climate Change Levy payments
- ➔ Reduces carbon footprint

## Completing the tax return

Capital allowances and ECAs are claimed in a business's tax return. For tax purposes, a business also needs to keep records of the purchase of plant and machinery, including energy-saving equipment.

Claiming capital allowances and ECAs is straightforward but it's worthwhile talking to an accountant at an early stage to let them know that the business has incurred qualifying expenditure. The accountant can advise what records to provide so that they can complete a business's tax return.

A business can claim an ECA on the cost of qualifying equipment, transportation of the equipment to the site and for direct installation costs. For more information visit Her Majesty's Revenue and Customs website at [www.hmrc.gov.uk/manuals/camanual/CA23100.htm](http://www.hmrc.gov.uk/manuals/camanual/CA23100.htm)

## Interest free loans

The Carbon Trust offers interest free Energy-Efficiency Loans for the purchase of energy-saving equipment. Loans and ECA can be used together. Loans are a cost effective way to replace or upgrade your existing equipment with a more energy efficient version.

Small and medium sized enterprises can borrow from £3,000 to £500,000\* on an unsecured basis and payable over a period of up to four years. There are no arrangement fees and applying is straightforward. Go to [www.carbontrust.co.uk/loans](http://www.carbontrust.co.uk/loans) to find out more.

\*Subject to eligibility. Regional variations apply.

## Loss making companies

Loss-making companies can now also realise the tax benefit of their investment in ETL qualifying technologies with Payable ECAs by surrendering losses attributable to ECAs in return for a cash payment from the Government.

Equipment is only eligible for ECA from the "added" date shown on the ECA website. Any purchases made before that date are not eligible for ECA.



### For more information contact:

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Chapter 10: 100% first-year enhanced allowances  
Table 10.1: 100% first-year enhanced allowances