

## Environmentally Beneficial Plant & Machinery / Energy Saving Plant and Machinery

### What is the relief?

Any expenditure incurred in an accounting period by a business on environmentally beneficial or energy saving plant and machinery is eligible to 100% capital allowances. The allowances are available to any business, regardless of size.

### Environmentally beneficial plant and machinery:

*What plant and machinery items qualify for the relief?*

In essence, qualifying assets are those which improve water quality and reduce water use. Expenditure must be incurred after 1 April 2003 to qualify for relief.

There is a Water Technology List that contains details of the technologies and products that can qualify for 100% first year allowances.

The Water Technology Criteria List sets out the criteria for each technology class and the classes are as follows:

- Efficient taps
- Efficient toilets
- Flow controllers
- Leakage detection
- Meters
- Rainwater harvesting equipment
- Efficient washing machines
- Small scale slurry and sludge dewatering equipment
- Vehicle wash water reclaim units
- Efficient industrial cleaning equipment
- Waste management for mechanical seals

From 1 April 2006, the exclusion for plant provided for leasing applies unless the plant is provided for leasing under an 'excluded lease of background plant and machinery' for a building.

For assets that are not environmentally beneficial plant and machinery in themselves but include components that can still partly qualify for the 100% allowance, the proportion of expenditure that does qualify can be claimed. However, there are special rules for calculating the allocation of qualifying expenditure.

### Energy saving plant and machinery:

*What plant and machinery items qualify for the relief?*

Energy saving plant and machinery are assets that are included as a qualifying technology or product specified in a Technology List of a Product List.

The Technology List contains the energy efficiency criteria that must be satisfied. The designated technologies are:

- Combined heat and power
- Boilers and boiler add ons
- Lighting
- Pipe insulation
- Motors
- Variable speed drives
- Thermal screens

- Refrigeration equipment (including display cabinets and compressors)
- Heat pumps for space heating
- Radiant and warm air heaters
- Solar thermal systems
- Compressed air equipment
- Automatic monitoring and targeting equipment
- Air-to-air energy recovery equipment
- Compact heat exchangers
- Heating, ventilation and air conditioning zone controls

The Technology List sometimes requires that:

- the design/installation of the plant or machinery has been certified as meeting the relevant technology standards by the Secretary of State or the relevant department of the devolved administrations (certification can be given after expenditure is incurred, but 100% FYA cannot be claimed until the certification date)
- the plant or machinery is a product specified on the Product List (products can only get on the list if they satisfy the relevant criteria in the Technology List).

If products on the Product List are incorporated into other items of plant or machinery, the proportion of the expenditure on the plant or machinery that qualifies for 100% FYA will be the amount specified in the Product List for the particular product included in that plant or machinery. The balance of the expenditure incurred does not qualify for 100% FYA but it will still qualify for capital allowances at the normal rate for the business.

The general exclusion on assets for leasing does not apply if the asset is provided for leasing under an 'excluded lease of background plant and machinery' for a building.

For further information, or to find out how we can assist your business visit: [www.jamescowper.co.uk](http://www.jamescowper.co.uk)

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