

# The ECA Scheme

What you need to know when buying refrigeration equipment



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# Save money and energy on your refrigeration equipment



The ECA Scheme (also known as the Enhanced Capital Allowance scheme) provides up-front tax relief for businesses that invest in energy-efficient equipment. With effect from 2003, the Scheme, which already covers many refrigerated display cabinets and compressors, was extended to cover selected upright refrigerated cabinets and freezers.

Under the Scheme, businesses can claim up-front tax relief on their capital spending on designated energy-saving plant and machinery. The Scheme aims to encourage businesses to invest in energy-saving equipment to help reduce their energy use, leading to lower carbon emissions. It is an integral part of the Climate Change Levy programme that has been introduced to help the UK reduce its carbon emissions under the Climate Change Act 2008, with a legally binding target of 80% reduction in greenhouse gas emissions from 1990-2050.



The Scheme calls for manufacturers and importers of refrigeration equipment to establish that their products conform to certain requirements on energy efficiency, performance and capacity. Such equipment is then "ECA Registered" and appears on what is known as the "Energy Technology List". Anyone purchasing equipment from the list will be entitled to 100% tax relief on their investment in the first year.

The Scheme has been developed by the Inland Revenue and DEFRA (the Department for Environment, Food & Rural Affairs) and is managed by the Carbon Trust.



The Carbon Trust is an independent, not for profit company set up by the Government. It aims to provide energy efficiency advice to businesses, support the development of low carbon technologies, and ensure that UK business and the public sector meet ongoing targets for carbon emissions.

## How the Scheme came about

The ECA Scheme follows a number of representations from businesses proposing that the Government should introduce tax incentives to encourage firms to make energy saving investments. In December 1999 the Government issued a Consultation Document, 'Energy Efficiency Measures under the Climate Change Levy.' Following analysis of the response to the Consultation, the Chancellor proposed that the ECA Scheme would support technologies and products which meet the relevant energy efficiency criteria.

The Energy Technology List is divided into 2 parts:

- The Energy Technology Criteria List which contains details of the energy-saving criteria that must be met for each of the technology classes
- The Energy Technology Product List which contains a list of products that have been certified as meeting those standards.

The 2003 Budget announced additional qualifying technologies and amended some energy-saving qualifying criteria. The new technologies added with effect from August 2003 are:

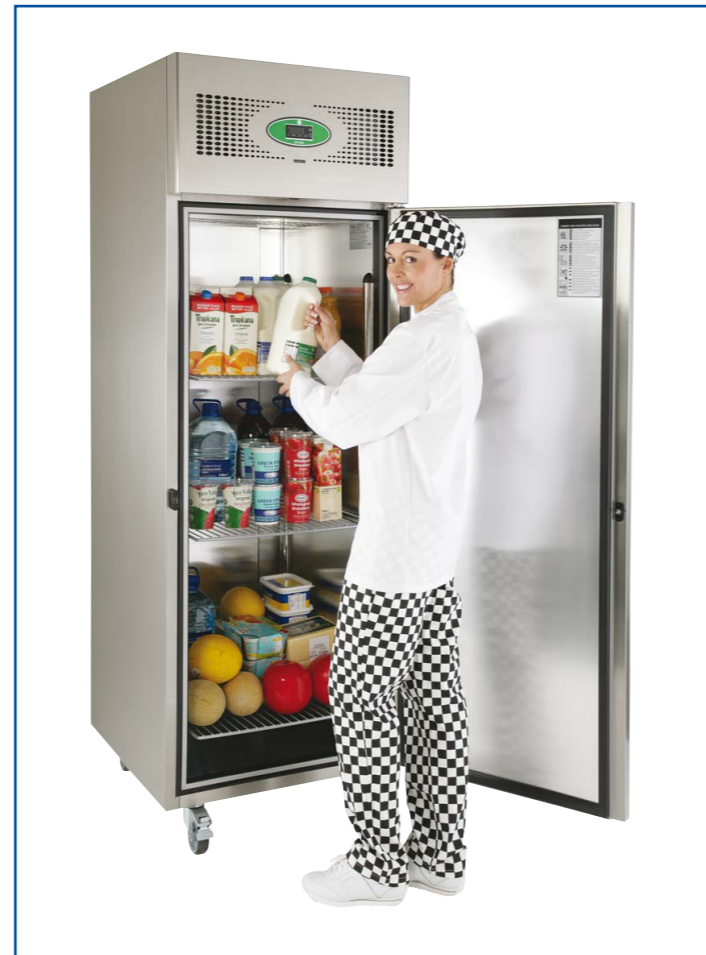
- Refrigeration –catering storage cabinets and cellar cooling
- Automatic monitoring and targeting equipment

- Boilers - biomass boilers
- Compressed Air –refrigerant dryer controllers, ultrasonic leak detectors

## What the new Scheme requires

In order to meet the requirements of the new ECA Scheme, manufacturers must have their refrigeration equipment tested to prove that it conforms to various requirements on energy efficiency, performance and capacity.

The tests require that all refrigerators are capable of maintaining the temperature of food product below 5°C (below -15°C for freezers) over a 48-hour period. Product temperatures must not rise above these levels within the 48-hour period, with the equipment being subjected to regular door openings, to provide a real-life test scenario. The equipment's energy consumption level must also fall below a certain level over the 2-day period in order for the equipment to qualify.



Foster's E PRO G 600 H - one of the Foster cabinets qualified under the Scheme

## Domestic Refrigeration Equipment

Domestic refrigeration equipment is NOT covered by the ECA, but is instead covered by the ABC Energy Rating labelling system, as seen in high street retail outlets. These ABC energy rating tests are much less stringent than the ECA test for commercial equipment, as obviously the demands put upon a domestic fridge are far less than those of a busy pub, restaurant or school kitchen for example.

Busy commercial kitchens will place a huge amount of stress on a piece of domestic equipment, which is designed to cope in a household environment. High ambient temperatures, levels of dirt and grease, more knocks and bumps due to the busy nature of the kitchen, and most importantly, constant opening of the fridge door mean domestic equipment just can't cope. Performance, energy consumption and of course food safety and quality suffer as a result.

## What does this scheme mean to your business?

Caterers, bakers, retailers and publicans who purchase refrigeration equipment that is ECA registered will be given the incentive of 100% tax relief on their investment in the first year. This delivers a significant cash flow boost resulting from the reduction of your tax bill for the year in which the investment is made.

Qualifying equipment will attract an ECA on the capital cost of the equipment PLUS any costs directly associated with its provision, such as delivery, installation and commissioning.

ECAs are given at 100% of your expenditure in the first year. Therefore, on expenditure of £10,000 your savings would be as follows (based on a corporation tax rate of 28%):

	Standard Capital Allowance	Enhanced Capital Allowance
Equipment costs (incl. Installation and commissioning):	£10,000	£10,000
% of expenditure to which allowance applies	40%	100%
Taxable amount reduced by:	£10,000 x 40% = £4000	£10,000 x 100% = £10,000
First year saving on taxable profits: (Corporation Tax at 28%)	28% of £4000 = £1120	28% of 10,000 = £2800
Second year saving (20% Writing Down Allowance)	28% on 20% of remaining balance of £6000 = £336	£0
Third year saving (20% Writing Down Allowance)	28% on 20% of remaining balance of £4800 = £269	£0
Fourth year saving (20% Writing Down Allowance)	28% on 20% of remaining balance of £3840 = £215	£0
Total saving on taxable profit over 4 years	£1940	£2800
Difference in tax savings	£860 more saved on the ECA Scheme	

\*Please note: smaller businesses may pay a lower rate of Corporation Tax

As the above example shows, by buying an ECA approved product, over a 4 year period, you can reduce the tax payable on your company's profits by 8.6% of the product's value. Your company will benefit from improved cash flow as this full tax benefit is made in the first year, rather than over several years.

As all products that qualify for an ECA are guaranteed energy efficient, you will also be making long term savings on energy costs, Climate Change Levy payments and climate change impact.

## How the Scheme will be administered

The Scheme requires either independent certification or self-certification by the manufacturer that their products comply with the requirements laid out by the Scheme. By not stipulating that equipment is independently tested, this could leave the Scheme open to misuse, and reduce its positive environmental effect.

However, the Scheme does include random independent spot checks, which may be sufficient to prevent this, and the Scheme will also be independently policed, using government funding. Deliberate falsification of evidence may result in criminal or civil proceedings, and if a product is tested at random and fails to meet the criteria, the Carbon Trust will inform the manufacturer of its intention to remove the product from the list.

## The Key Features of the Scheme

- All businesses in the charge to UK tax can claim enhanced capital allowances, on their qualifying expenditure, regardless of size, industrial or commercial sector or location.
- Enhanced Capital Allowances permit the full cost of the equipment to be relieved for tax purposes against taxable profits in the first year of the investment. i.e. an allowance of 100% of the cost of the equipment is given in the first year.
- The qualifying technologies have to meet published energy saving criteria. These are published in the Energy Technology Criteria List, where the criteria will be reviewed on an annual basis.
- Only investments in new and unused (i.e. not second hand) equipment can qualify for ECAs. Leased, let or hired equipment also qualify.

## How will I know if equipment qualifies for an ECA?

Every piece of equipment that qualifies for an ECA appears on the Energy Technology List, which can be viewed at [www.eca.gov.uk](http://www.eca.gov.uk). This list is being expanded continually, and the site also includes contact details for the manufacturers of the qualifying equipment. The Energy Technology Product List is updated at the beginning of each month on the ECA website.



Also, manufacturers are being encouraged to use the Energy Technology List symbol. Wherever you see the ETL symbol, you are guaranteed energy efficient performance and the opportunity to claim an ECA.

Imported equipment will qualify for an ECA only if it is listed on the Energy Technology List.

## How to claim

All businesses subject to income or corporation tax can claim. Provided the refrigeration equipment you purchase is listed - at the time of purchase - on the Energy Technology List, you will qualify for an ECA. To claim, ensure that you retain a proof of purchase, and keep a record of qualifying purchases. Your ECA should then be claimed as part of your normal tax return calculations.

Leasing, letting or hiring energy-saving equipment also qualifies. You can claim the allowance as you incur the expenditure. These claims should also be made in your tax return.

## Which Foster products are covered by the ECA?

Products covered by the ECA Scheme (Hydrocarbon and Standard Refrigerant)	
<b>ECO PREMIER RANGE</b>	E PREM G 500 H E PREM G 600 H E PREM G 600 H (Hydrocarbon) E PREM G 600 M E PREM G 600 M (Hydrocarbon) E PREM G 600 L E PREM G 600 L (Hydrocarbon) E PREM G 1350 H E PREM G 1350 H (Hydrocarbon) E PREM G 1350 M E PREM G 1350 M (Hydrocarbon) E PREM G 1350 L E PREM G 1350 L (Hydrocarbon) E PREM 1/2 H E PREM 1/3 H
<b>ECO PRO RANGE</b>	E PRO G 500 H E PSG 500 H E PRO G 600 H E PRO G 600 H (Hydrocarbon) E PSG 600 H E PSG 600 H (Hydrocarbon) E PRO G 600 M E PRO G 600 M (Hydrocarbon) E PSG 600 M E PSG 600 M (Hydrocarbon) E PRO G 600 L E PRO G 600 L (Hydrocarbon) E PSG 600 L E PSG 600 L (Hydrocarbon) E PRO G 1350 H E PRO G 1350 H (Hydrocarbon) E PSG 1350 H E PSG 1350 (Hydrocarbon) E PRO G 1350 M E PRO G 1350 M (Hydrocarbon) E PSG 1350 M E PSG 1350 M (Hydrocarbon) E PRO G 1350 L E PRO G 1350 L (Hydrocarbon) E PSG 1350 L E PSG 1350 L Hydrocarbon) E PRO 1/2 H E PRO 1/3 H
<b>BAKERY</b>	EPRO 20 BSR EPRO 40 BSR

\* Please note that the ECA List will be updated on a regular basis and that this list is subject to change. To view the current list please visit [www.eca.gov.uk](http://www.eca.gov.uk)

## In Summary...

### What is the ECA Scheme?

The Enhanced Capital Allowance Scheme enables businesses to claim 100% first year capital allowances on investments in energy saving technologies and products. Businesses are now able to write off the whole cost of their investment against their taxable profits of the period during which they make the investment.

### Why has the Scheme been set up?

Enhanced Capital Allowances will encourage businesses to invest in low carbon technologies to reduce the UK's carbon emissions.

### How do I find out if my new refrigeration equipment qualifies?

The manufacturer or dealer should be able to tell you. If not, the Energy Technology List, which lists all qualifying equipment can be found at [www.eca.gov.uk](http://www.eca.gov.uk) or call the Carbon Trust Customer Centre on 0800 085 2005

### How do I claim?

Retain proof of purchase for qualifying equipment and claim your ECA Tax Allowance as part of your normal tax return calculations

## Further information

Visit [www.eca.gov.uk](http://www.eca.gov.uk) to find out more about ECAs including the Energy Technology List

Environment & Energy Helpline: 0800 585 794

Other useful sites:

[www.inlandrevenue.gov.uk](http://www.inlandrevenue.gov.uk)

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

[www.defra.gov.uk/environment](http://www.defra.gov.uk/environment)

## Foster Blue papers include:

Energy Efficiency  
 The ECA Scheme  
 Hydrocarbons in Refrigeration - What caterers need to know  
 The Climate Change Levy  
 Food Temperature Laws  
 Food Safety and E. Coli  
 Food Hygiene & Staff Training  
 Handling and Serving Ice  
 Safe Food Storage  
 HACCP - An Update 2006  
 The safe way to Blast Chill, Freeze and Thaw  
 Inspection by Environmental Health Practitioners  
 Plan for a Catering Crisis  
 Coldroom Panels, Polyurethane Foam & Fire Ratings: An Update

We reserve the right to change specifications without notice.

For copies of our other Blue Papers, visit [www.fosterrefrigerator.co.uk/food\\_safety](http://www.fosterrefrigerator.co.uk/food_safety) or call 0843 216 8800



ISO 9001



ISO 14001



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