

# COMSERVE

The Complete Building Services Company

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## LOANS AND ALLOWANCES

The cost of upgrading or replacing outdated, inefficient and non-compliant equipment can be very high. However at Comserve we have considerable experience in guiding customers through the various schemes available from the Government and other bodies that can help offset some of these costs.

Two such schemes are Action Energy Loans and Enhanced Capital Allowances which are Government sponsored schemes available through the Carbon Trust. These offer financial assistance to businesses for the installation of energy efficient equipment, simplifying the budgeting of projects. Visit the links for more information or contact us to discuss your current equipment and the options available for savings on energy costs.

### Enhanced Capital Allowances (ECAs)

These 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 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 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.

### Principal Aims of the Scheme

- To help bring about a low carbon economy and reduce UK CO<sub>2</sub> emissions.
- To influence the design, availability and uptake of the most energy-efficient equipment from the Energy Technology List (ETPL)
- To provide a 1st year cash flow boost designed to help address the higher purchase price of the more energy-efficient plant & machinery to enable the business to benefit from lower on-going energy bills

### How it works

The scheme applies to a wide range of technologies and equipment – from boilers

and refrigeration to lighting and heat exchangers.

Once you've made a qualifying investment, you claim the allowance through your corporation tax return. The more you invest, the more you save – so if you invested £10,000, an ECA would reduce your tax bill by £3,000.

Under normal capital allowances, you would only be able to reduce your tax bill by £750 in the same period. So you save four times as much. And that doesn't include the saving you make on your energy use with the new equipment.

### Typical Examples of Equipment on the ETPL

Air-to-air energy recovery, Automatic monitoring and targeting equipment, Boilers CHP, Compact heat exchangers, Compressed air equipment, Heat pumps for space heating, HVAC zone controls, Lighting, Motors and Drives, Pipe insulation, Refrigeration equipment, Solar thermal systems, Warm air and radiant heaters.

*A full list of products on the ETPL can be viewed on the ECA website [www.eca.gov.uk/etl](http://www.eca.gov.uk/etl)*

In addition to claiming for technologies that comply with the ETL criteria it is also possible to claim for costs arising as a direct result of the installation of qualifying plant and machinery. These would include:

- Installation costs
- Professional fees
- Costs of altering an existing building

Companies that provide equipment for leasing to third parties may also benefit for 100% first year allowances "provided capital allowances are ordinarily available under the normal rules for plant and machinery leasing"

### Benefit to End Users

- Allows a greater proportion of the cost of an investment to qualify for tax relief against a business's profits
- Potentially reduce running costs through increased efficiency
- Reduce payback periods

- Reduce Climate Change Levy payments
- Reduces carbon footprint

### Energy-Action Loans

These loans from the Carbon Trust are a cost effective way to replace or upgrade your existing equipment with a more energy efficient version. Being more energy efficient makes sound economic sense because using less energy lowers operating costs. From an environmental perspective, it's an effective way for business to cut carbon emissions and, in turn, combat climate change.

Small or medium-sized enterprises (SMEs) that have been trading for at least 12 months and have an acceptable credit rating, could borrow from £5,000 to £100,000. It is unsecured, interest free and repayable over a period of up to 4 years. There are no arrangement fees and applying is straightforward

The EU State aid definition of an SME is a company with:

- 1) Less than 250 employees
- 2a) Less than 50m turnover (appr £35m) or
- 2b) Less than 43m assets (appr £30m)
- 3) No controlling interest more than 25% by a non-SME (i.e. it is part of a larger organisation)

To qualify an energy saving project must save >0.39 tonnes per £1,000 of loan.

The project payback is based on energy savings only and all project costs can be included.

For more information on Energy Efficiency Loans visit [www.carbontrust.co.uk/loans](http://www.carbontrust.co.uk/loans) or call the Loans Team on 0113 306 6222.

Contact us now to ensure that you are not paying the penalty for operating energy inefficient equipment and for advice of how to get the benefit of this valuable assistance in replacing or upgrading plant.