

ENHANCED CAPITAL ALLOWANCE (ECA)

Through the **Enhanced Capital Allowance** business can receive up to 100% capital allowance for investment in plant and equipment on the Enterprise Zone site. This can represent tax relief worth up to €125m. ECA's are available for expenditure on certain plant and machinery incurred between specified dates within 'designated assistance areas' of Enterprise zones (EZs) and are available for expenditure incurred for up to eight years from 1st April 2016 and **must be claimed before 2025**.

ECAS ARE ONLY AVAILABLE ON PLANT AND MACHINERY EXPENDITURE IF THE FOLLOWING CRITERIA ARE SATISFIED:

- The business is a UK company subject to corporation tax (i.e. excludes unincorporated businesses and partnerships of companies)
- The expenditure must be on new and unused plant and machinery and not on 'replacement expenditure' (i.e. performs the same, or similar function). However, where significant additional function is performed by the replaced asset or where it enhances capacity or productivity, the expenditure attributable to the additional function may qualify for EZs
- The assets must not be leased
- The expenditure must be incurred for one of the following purposes:
 - a business of a kind not previously carried on by the company
 - expanding a business carried on by the company
 - starting up an activity relating to a fundamental change in a product or production process of, or service provided by, a business carried on by the company

A NUMBER OF QUALIFYING ACTIVITIES ARE EXCLUDED FROM THE EZ REGIME:

- Fisheries or aquaculture sectors
- Coal sector, steel sector, shipbuilding sector or synthetic fibres sector
- Relating to the management of waste of undertakings
- Relating to the primary production of agricultural products and certain activities relating to, and preparation for, the first sale of animals or plants.

There are no sector/growth restrictions and any business can apply for the ECAs.

ECAs are claimed by the business through annual tax returns to HMRC. It is the responsibility of occupiers to claim ECAs. Any technical queries relating to ECA qualifying assets or expenditure should be directed to HMRC or a capital allowance specialist. If needed we can recommend a local specialist accountants who can help further.

FOR EXAMPLE;

A company buys premises for £1m in an Enterprise Zone potentially generating £300,000 of Capital Allowances.

With Enhanced Capital Allowances the company would receive the full relief on £300,000 that's £60,000 tax saving in the first year for an incorporated business paying tax at 20%.

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