



The Enhanced Capital Allowance Scheme

and The Water Technology List

The Water Technology List (WTL) is a list of products that have been approved as water efficient.

Buying these products means your business can save water by installing them and save money on your water and energy bills.

The Enhanced Capital Allowance (ECA) scheme allows you to claim back tax relief on first-year investment in these products and installation fees.

This reduces the time it takes for the products to pay back your initial investment and saves you money on your future water bills.

What is the Enhanced Capital Allowance (ECA) scheme?

Capital allowances mean the cost of capital assets can be written off against your businesses' taxable profits. The main rate of capital allowance for expenditure on most machinery is 18 per cent a year on a reducing balance.

The ECA scheme for water offers a 100 per cent first-year allowance for investments in designated water efficient machinery. These First Year Allowances (FYAs) mean a bigger proportion of the cost of an investment qualifies for tax relief against your businesses' taxable profits for the period during which the investment is made and can provide a helpful cash flow boost.

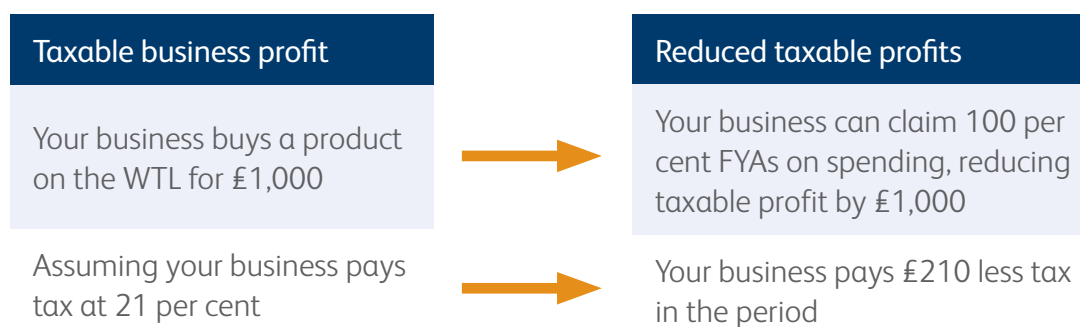


Figure 1: Enhanced Capital Allowances bring forward the tax benefit, providing a boost to cash flow

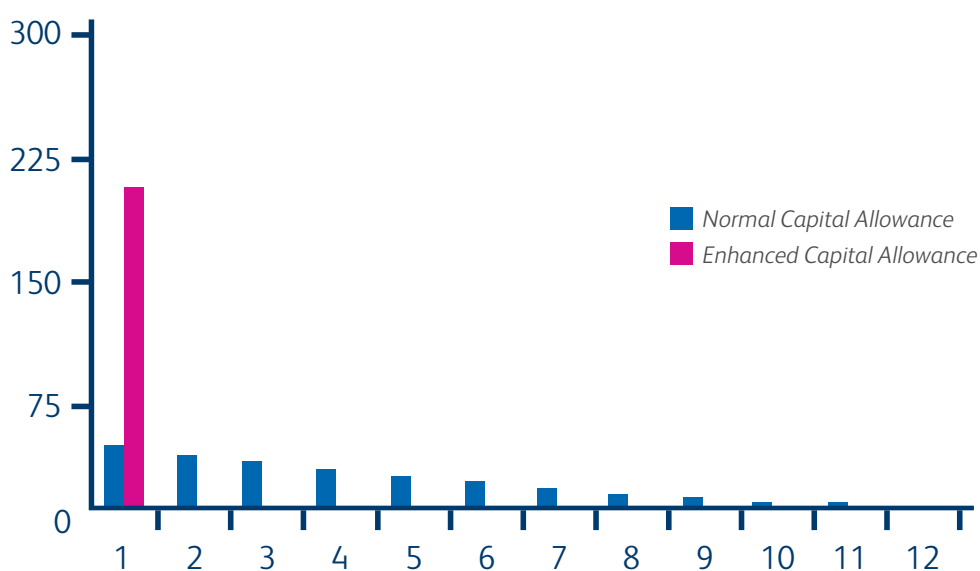


Figure 2: Comparison of the tax effects of Capital Allowances and Enhanced Capital Allowances

As your business may pay tax at a different rate to the examples above, you may wish to contact your tax advisor to understand exactly how ECAs can affect your business.

Other benefits of the ECA scheme

From 1 April 2008, loss-making companies have also been able to realise the tax benefit of investments in WTL products by swapping losses attributable to ECAs for a cash payment from the Government. Payable ECAs will, however, be capped.

Organisations which are not eligible for tax relief (including capital allowances), such as local authorities, schools and non-profit organisations, can still use the WTL as a source of information on water efficient products.

What products and technologies can you claim for?

ECAs are available on products and technologies that meet the specified criteria within the ECA scheme and are included on the Water Technology List at the time of purchase. It is also possible to claim for the cost of installation of these products.

Please note that ECAs are not available on the cost of machinery for use within a property used as a dwelling that you lease out in the UK or overseas. However, items bought for use within common areas such as shared toilets or hallways may qualify.

The ECA scheme includes a variety of technologies such as water efficient taps, toilets, monitoring equipment and industrial cleaning equipment. Eligible products are detailed on the WTL website at wtl.defra.gov.uk/product_search_landing.asp.

The following technology areas are included on the WTL:

- Cleaning in place equipment
- Efficient showers
- Efficient taps
- Efficient toilets
- Efficient washing machines
- Flow controllers
- Leakage detection and data loggers
- Meters and monitoring equipment
- Rainwater harvesting equipment
- Small-scale slurry and sludge dewatering equipment
- Vehicle wash water reclaim units
- Water efficient industrial cleaning equipment
- Water management equipment for mechanical seals
- Standardised grey water recovery and reuse systems

The full list of eligible products can be found at wtl.defra.gov.uk/product_search_landing.asp.

How to buy water efficient products and claim an ECA

The process of buying a water efficient product and claiming an enhanced capital allowance is very simple:

Step 1. Decide what products you want to buy

Do you want to fit sensor taps in all of your washrooms or buy a steam cleaner? Have a clear list of the product(s) you want to buy to make the next steps even easier.

Step 2. Visit the website

Head to wtl.defra.gov.uk/product_search_landing.asp and click on the relevant category for your product. Alternatively, if you already have a particular make and model of product in mind and want to see if that is on the list, you can use the 'select partner' drop-down list to select the product manufacturer.

Step 3. Select the product you want to buy

Due to the way the ECA scheme is set up, every product and variation will be listed and there can be a lot of results in your chosen product category e.g. each differently sized flow meter will be listed individually. We recommend that you filter the results as much as possible using the drop-down menus at the top of the page.

Things to consider in this step:

- Products can sometimes be listed under a name you do not recognise e.g. listed by a supplier rather than the manufacturer.
- Even if you have a particular make and model of product in mind, you still may not be able to find it on the WTL, so it may be worth checking with the manufacturer themselves to make sure it is listed.
- If the product you had in mind isn't already qualified for the WTL, the manufacturer of that product may wish to apply for its inclusion. However, you can only apply for ECAs on products that were on the WTL at the time of purchase, so you'll need to wait until they've been accepted before you buy the product and claim the ECA.

Step 4. Buy the product

Once you know which product you want and have found it on the WTL, you're all set to buy it. The WTL doesn't sell the products but it will have the contact details for the manufacturer if you don't already have them.

Step 5. Retain your receipts and claim your ECA

The ECA, for both the cost of the products and their installation, is claimed through your income or corporation tax return in the same way as any normal capital allowance. This is found under the 'Qualifying expenditure' section of your tax return.

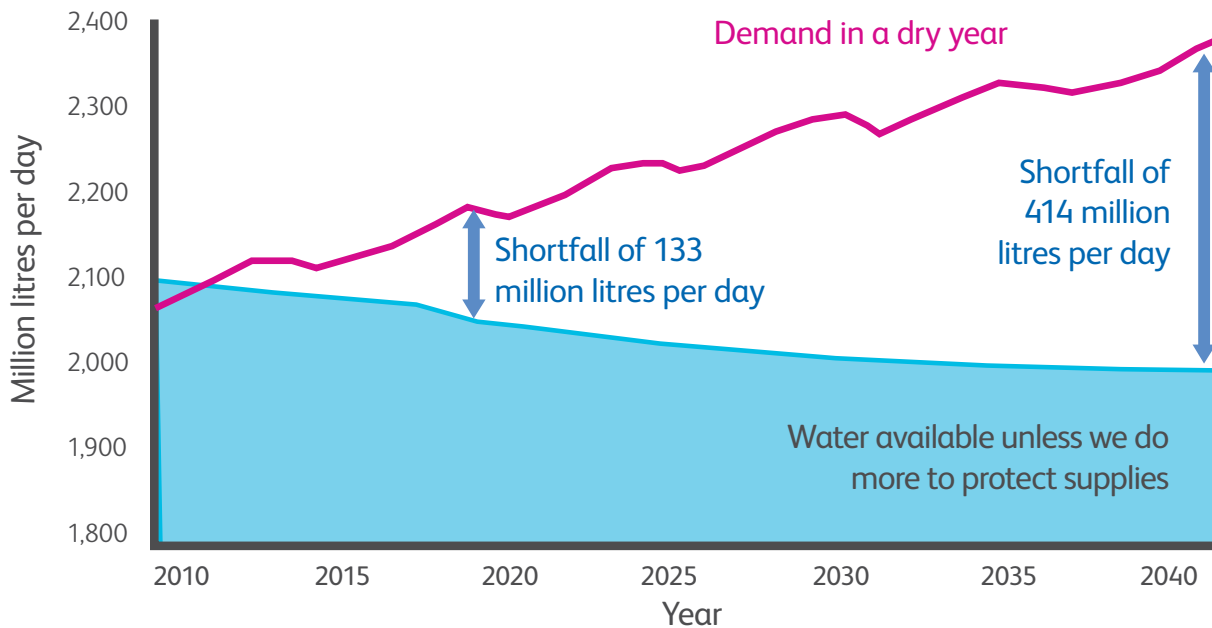
Remember, if your business or organisation does not self-assess for corporation and income tax then you can't claim capital allowances including ECA.

If you need help making your claim for ECAs, you should contact your tax advisor or call the HMRC Self-Assessment Helpline. Please make sure you retain all receipts for proof of purchase.

Why should we save water?

Managing water supplies will get more difficult as our population grows and our climate changes – bringing less summer rainfall and more weather extremes, including floods and drought. To secure supplies for the future we need everyone to save water.

Shortfall in water supply for London



Source: Water Resources Management Plan, 2014

By using tools such as the Water Technology List, we can work with you to reduce water consumption in our region in a way that benefits both our supply and your profits.

Other ways to save water, energy and money

Order water-saving freebies

We have a range of freebies for your taps, toilets and showers that can reduce the amount of water you use, saving you money on water and energy bills.

Just choose which ones you want from [thameswater.co.uk/businessfreebies](https://www.thameswater.co.uk/businessfreebies) and we'll deliver them to your door, completely free of charge.

Saving water in your business pack

From saving hundreds of pounds on leaking toilets to improving cleaning processes and using rainwater to maintain grounds, our free Saving water in your business advice pack is full of easy ways for you to cut down on your water use and save money.

Download your copy from [thameswater.co.uk/savewateratwork](https://www.thameswater.co.uk/savewateratwork)

