



Enhanced capital allowances for water efficient technologies

The Enhanced Capital Allowance (ECA) scheme provides a 100 per cent first-year allowance for investments in certain water efficient plant and machinery. It enables businesses to write off 100 per cent of the cost of qualifying plant and machinery against taxable profits in the year of purchase. This can bring significant financial savings and reduce your business' impact on the environment.

The ECA water scheme is managed by the Department for Environment, Food and Rural Affairs (Defra) and HM Revenue and Customs in partnership with Envirowise. The ECA water scheme includes a variety of technologies, such as water efficient taps, toilets, monitoring equipment and industrial cleaning equipment. Eligible products are detailed on the Water Technology List (WTL).

This guide is aimed primarily at businesses that want to buy water efficient products and the manufacturers and suppliers of those products. It is also relevant to organisations that are not eligible to claim ECAs but can use the WTL as a sustainable procurement tool.

The guide outlines how the ECA water scheme works and which technologies are covered. It also explains how manufacturers and suppliers of water efficient products and technologies can apply to have these added to the WTL.

What is the Enhanced Capital Allowance water scheme?

The Enhanced Capital Allowance (ECA) water scheme encourages businesses to invest in technologies that save water and improve water quality.

The scheme enables your business to claim 100 per cent first-year allowances, ie tax relief, on investments in certain technologies and products.

Claiming an ECA means that you can write off (deduct) the whole cost of purchasing a qualifying water-efficient technology against your taxable profits in the year you made the purchase. For more information, see the page in this guide on how to claim an ECA for water efficient products.

Only new plant and machinery are eligible for an ECA - used or second-hand plant and machinery do not qualify. Eligible equipment is found in the Water Technology List (WTL). The criteria may be reviewed annually to keep pace with technological progress. See the page in this guide on technologies covered by the ECA water scheme.

Benefits of the scheme to purchasers

Claiming ECAs for buying water efficient equipment will enable your business to reduce investment costs and its environmental impact. Benefits include the first

year tax relief. This will reduce the time it takes to pay back your investment.

Your water bills will also be reduced long-term by installing water-saving equipment.

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 equipment that may save water and reduce water costs.

Benefits of the scheme to suppliers

If you manufacture or supply products included in the ECA scheme for water efficient technologies, you can use a recognised symbol to promote your products and offer customers a unique financial benefit. For information on getting products included, see the page in this guide on how to apply to get your product eligible for the ECA water scheme.

For general enquiries relating to the WTL, you can call the WTL Advice Line on Tel 0844 875 5885. Alternatively, you can email your questions to wtl@aeat.co.uk.

Technologies covered by the ECA water scheme

Enhanced capital allowances (ECAs) are available on products and technologies that meet the specified criteria within the ECA scheme and are included on the Water Technology List (WTL) at the time of purchase.

The following technology areas are included on the WTL:

- cleaning-in-place equipment - ie monitoring and control equipment, and spray devices
- efficient showers - ie aerated showerheads, auto shut-off showers, flow regulators, low-flow showerheads and thermostatic controlled showers
- efficient taps - ie automatic shut-off taps, electronic taps, low-flow screw-down/lever taps and spray taps
- efficient toilets - ie low-flush toilets, retrofit WC flushing devices and urinal controls
- efficient washing machines - ie efficient commercial and industrial washing machines
- flow controllers - ie control and flow-limiting devices
- leakage detection equipment - ie data loggers, pressure-reducing valve controllers, and remote meter-reading and leak-warning devices
- meters and monitoring equipment - ie flow meters and water management software
- rainwater harvesting equipment - ie monitoring and control equipment, rainwater filtration equipment and rainwater storage vessels
- small-scale slurry and sludge dewatering equipment - ie belt press, centrifuge and filter press equipment
- vehicle-wash water reclaim units - ie partial or full reclaim systems
- water efficient industrial cleaning equipment - ie scrubber/driers (walk-behind and ride-on machines) and steam cleaners
- water management equipment for mechanical seals - ie seal water recycling units, internal flow regulators, and monitoring and control units
- water reuse systems - see the page in this guide on water reuse systems.

Search for water efficient technologies eligible for ECAs with the Department for Environment, Food and Rural Affairs (Defra).

In order to be eligible for the ECA, the product must be on the WTL at the time that you buy it - you cannot claim an ECA on a product that is added to the WTL after you purchased it. New products are added to the WTL on the first day of every month. The criteria for the WTL may be reviewed annually and can include the introduction of new technologies.

A random selection of products listed on the WTL are tested regularly to check they meet the eligibility criteria. For more information, see the page in this guide on testing products in the ECA water scheme.

You can identify products which are included on the WTL as they can use the WTL symbol. See a copy of the Water Technology List symbol - [Opens in a new window](#).

Adding products to the WTL

If you are a supplier or manufacturer and your product is not currently included on the WTL, you can apply to have it added. See the page in this guide on how to apply to get your product eligible for the ECA water scheme.

For general enquiries relating to the WTL, you can call the WTL Advice Line on Tel 0844 875 5885. Alternatively, you can email your questions to wtl@aeat.co.uk.

Water reuse systems

Water reuse 'systems' are processed differently to 'products' on the Water Technology List (WTL). Water reuse technology on the WTL has two sub-technologies - efficient membrane filtration equipment and wastewater recovery and reuse. Due to their bespoke nature, these technologies are both eligible for enhanced capital allowances (ECAs) via a certification scheme for each individually installed system, rather than the standard product list used for other technologies on the WTL.

Water reuse involves reusing suitably treated waste water from one process for a different purpose. Water reuse technology reduces the demand on drinkable sources of freshwater and reduces the volume of wastewater discharged to sewer. Therefore, water reuse can be an economical way to reduce your costs.

The business sectors that could benefit most from using water reuse systems include the food and drink, printing, chemicals, construction, electronics and metal finishing industries.

How to apply for a water reuse system to be eligible for ECAs

It is the responsibility of the business installing the water reuse system to apply to have it certified as eligible for an ECA, not the business which manufactures or supplies it. If the application is approved, the Department for Environment, Food and Rural Affairs (Defra) will award the business a 'Certificate of Environmental Benefit'. This certificate verifies that the design of that water reuse system meets the water-efficient criteria.

If you are installing a water reuse system, you should ask your manufacturer or supplier to ensure that the design meets the eligibility criteria, as you must

provide supporting evidence for this to Defra.

Any investments in these technologies will only qualify for ECAs if a certificate has been issued for the equipment. A certificate can be revoked in certain circumstances - for example, if the recovery and reuse system is certified at design stage and the design of the system changes during development or the development ceases. If the certificate is later revoked then you should amend the relevant tax return to withdraw any 100 per cent first-year allowance claimed.

Check eligibility criteria and apply for certification of water reuse systems with Defra.

For general enquiries relating to the WTL, you can call the WTL Advice Line on Tel 0844 875 5885. Alternatively, you can email your questions to wtl@aeat.co.uk.

How to claim an ECA for water efficient products

The Enhanced Capital Allowance (ECA) scheme provides a 100 per cent first-year allowance for investments in certain water efficient plant and machinery. It enables businesses to write off 100 per cent of the cost of qualifying plant and machinery against taxable profits in the year of purchase. The plant and machinery must be on the Water Technology List at the time you buy it. Search for water efficient technologies eligible for ECAs with the Department for Environment, Food and Rural Affairs (Defra).

You should claim ECAs for water efficient equipment in the same way that you claim other types of first-year allowance - through your income tax self-assessment or your corporation tax self-assessment return. Find more information on our page on claiming first-year allowances in our guide on first-year allowances.

If you need help making your claim for ECAs, you should contact your tax adviser or call the HMRC Self Assessment Helpline on Tel 0845 900 0444.

Apply to get your product eligible for the ECA water scheme

If you manufacture or supply water efficient products, you can apply to have them added to the WTL. This enables businesses buying your products to claim tax relief under the Enhanced Capital Allowance (ECA) scheme. In order to add your product to the list, your product will need to meet certain eligibility criteria.

The WTL symbol

Once you have a product on the WTL, you are eligible to use the WTL symbol as a promotional and marketing tool for that product. This provides an incentive for eligible business customers to purchase these products by highlighting that they can receive a tax relief on these products and that they are water efficient.

Water reuse system applications

For water reuse systems, the business installing the system should apply to have the system certified as eligible for an ECA - not the business which manufactures or supplies it. For more information, see the page in this guide on water reuse systems.

New technology applications

If the technology your product or system uses is not on the WTL, you can apply to the Department for Environment, Food and Rural Affairs (Defra) to have it considered for inclusion.

Tracking your application

You can track the progress of your product, system or technology applications online.

Accessing services online

You can register, amend your details, check eligibility criteria and make WTL applications with Defra.

For general enquiries relating to the WTL, you can call the WTL Advice Line on Tel 0844 875 5885. Alternatively, you can email your questions to wtl@aeat.co.uk.

Testing products in the ECA water scheme

To maintain the integrity of the Water Technology List (WTL), the Department for Environment, Food and Rural Affairs (Defra) regularly tests a sample of products on the WTL to check that they meet the eligibility criteria. Products are either selected randomly or are tested following a complaint from an end user business or other organisation.

If a product that you produce or supply is selected for testing, you must make it available, free of charge. Defra will pay the costs of these initial tests and any transportation.

If selected, you will receive a letter or email from Defra containing details of the:

- product(s) required for testing
- independent testing facility appointed by Defra
- date by which you must deliver the product to the test house
- transportation and payment arrangements

If you fail to provide the product, or a satisfactory explanation why you cannot, Defra will send you a letter giving you 60 days notice that your product will be removed from the WTL.

Defra will inform you of the test results by letter or email, stating whether the product has passed or failed, and will send you a copy of the testing report.

If your product fails, you have the following options:

- accept the results - Defra will remove the product/manufacture details from the WTL from the first of the following month
- arrange for a retest, either with the same testing house or an independent testing house of your choice

If the product is retested and meets the criteria, you will be informed by letter or email. If the product again fails to meet the criteria, Defra will inform you that it will be removed from the WTL on the first of the following month. Defra will not reimburse you for the retest if the product fails.

For general enquiries relating to the WTL, you can call the WTL Advice Line on Tel 0844 875 5885. Alternatively, you can email your questions to wtl@aeat.co.uk.

Here's how we benefited from using environmental tax breaks

Michael Armstrong

Jaspers (Treburley) Ltd - Opens in a new window

Michael's top tips:

- "Select your plant supplier carefully. They can help you in so many ways, including with your ECA application."
 - "Build a margin of error into your timescales, as it may take longer than you think. In our case it took around 18 months from initial research to full operation."
 - "Keep the documentation well organised in case of any queries from HMRC."
-

Jaspers (Treburley) Ltd is an established family-owned business, producing premium cuts of beef from quality Cornish and West Country cattle. The business' abattoir in Treburley, near Launceston, operates to high standards of environmental efficiency, including an advanced biological treatment system that enables waste water to be recycled onsite. Here, financial controller Michael Armstrong explains how selecting the system allowed Jaspers to claim an enhanced capital allowance (ECA), among other benefits.

What we did

Research the options

"As part of our ongoing commitment to improve our environmental performance, we identified waste water as a major challenge. As a busy abattoir, our water consumption is extremely high and there's limited scope for reducing it per se, as we have to abide by strict regulations concerning the cleansing of premises and equipment. Therefore, recycling the waste water seemed the obvious way forward.

"The first step was to investigate recycling methods. We quizzed industry contacts, looked for information in trade magazines and on the internet and attended a waste water and effluent exhibition. We also visited other businesses who had already installed water recycling systems.

"We decided on something called a membrane bioreactor (MBR), supplied by EIMCO Water Technologies. One of the criteria for selecting this solution was that EIMCO advised us that we should be eligible to claim the ECA."

Fulfil the eligibility criteria

"Some water efficient equipment is listed on the ECA Water Technology List (WTL), which is jointly administered by Defra and HM Revenue & Customs (HMRC). In most cases, purchasing a product off that list automatically entitles you to claim the ECA.

"In our case, due to the complexity of the MBR technology and the highly tailored

nature of such systems, we had to apply for a Certificate of Environmental Benefit in order to be eligible to claim the ECA. The certificate is awarded by Defra and confirms that the design of our system meets the WTL's specific water efficiency criteria.

"EIMCO helped us complete the application and we subsequently became the first abattoir in the UK to be awarded the certificate."

Claim the allowance

"Having obtained certification, we were able to write off 100 per cent of the cost of our investment against our taxable profits, in the tax year that the system became operational. It wasn't that difficult to actually claim the allowance and receiving it made a substantial difference to the overall cost of the system.

"As well as the tax saving achieved, the benefits of installing the water-efficient plant have been huge. We now reuse at least 60 per cent of our cleaned water, saving around £10,000 a year on water usage costs. We've also regained full use of 80 per cent of the surrounding land that we use for controlled waste water disposal, plus we've slashed disposal costs.

"We were also recently voted overall winner in the Cornwall Sustainability Awards as a result of the work we've done, which has further enhanced our reputation among customers.

"On top of all that, tackling water efficiency acted as the catalyst to start on our recently certified company-wide environmental management system. Overall, water waste is no longer an issue for us - it's a headache that's gone away."

What I'd do differently

Think about water storage

"We were so busy researching and installing the system, we overlooked the fact that once we had cleaned the waste water, we were going to need somewhere to store it! The problem was easily solved by purchasing refurbished industrial water tanks from a reclamation yard, but it would have been better to put them in place sooner."

WTL Advice Line

0844 875 5885

HMRC Self Assessment Helpline

0845 900 0444

Related guides on businesslink.gov.uk

Search for water efficient technologies eligible for ECAs with Defra

Apply to get water efficient technologies included on the WTL with Defra

Use our interactive tool to find out what capital and incentive allowances your business could claim

Use our interactive tool to identify where you can save money by going green

First-year allowances

Enhanced capital allowances for energy saving products

Use water efficiently - the basics

You can find this guide by navigating to:

Home > Environment & efficiency > Water efficiency > Enhanced capital allowances for water efficient technologies

© Crown copyright 2007