

A photograph of an office hallway with two men reviewing documents. The ceiling is a grid of recessed LED lights. The hallway has wooden paneling on the left and white cubicles on the right. A green exit sign is visible in the distance.

PHILIPS

Lighting

ECA

Enabling Investment

Using energy efficient LED lighting and lighting controls from Philips to support your **Enhanced Capital Allowance** application

What is Enhanced Capital Allowance?

The Enhanced Capital Allowance (ECA) scheme encourages businesses to invest more freely in energy saving solutions that help reduce the carbon emissions that contribute to climate change. Certain types of energy efficient lighting products are eligible for full corporation tax relief for capitalised lighting equipment under the Enhanced Capital Allowance scheme for energy saving technologies. Tax relief can be claimed on the purchase and installation costs of specific types of LED lighting and lighting controls. The Carbon Trust has been appointed to manage the approved technologies list and promotes the ECA scheme on behalf of the government.

What types of lighting systems are eligible?

For lighting, the ECA eligibility is dependent upon the system's performance and how it is configured. In this respect lighting is different to some other energy saving technologies where specific products are deemed to qualify. This is detailed in the Energy Technology Criteria Lists on the Carbon Trust website - www.eca.gov.uk/etl



Lighting controls

The ECA scheme aims to encourage the purchase of lighting controls that realise energy savings by automatically switching or dimming lighting. Various categories of lighting control are eligible; these can be either individual or combinations of:

- Timer controllers
- Presence detectors with associated switching controller
- Daylight detectors with associated switching and/or dimming controller
- A networked controls system

Philips Lighting can advise on the control systems potential eligibility under the ECA scheme's criteria.

LED lighting

White light LED luminaire eligibility for ECA is mainly dependant on their efficacy (light output efficiency). The eligibility criterion differs depending on the lighting application, and amongst the requirements, key examples are as follows:

- Outdoor lighting applications >= 82 lumens/W Ra≥65
- General indoor lighting applications >= 82 lumens/W Ra≥80
- Accent, display and amenity lighting >= 75 lumens/W Ra≥80

This list is not exhaustive and reference to the ECA Criteria list should always be made. Majority of Philips LED luminaires already exceed the ECA criteria and qualify from the performance perspective. As Philips Lighting LED technology rapidly advances, more of the Philips portfolio will meet the criteria. Philips Lighting can advise on the solution's eligibility under the ECA scheme's criteria.

How can my business benefit?

It can be tempting to opt for the lowest capital cost in terms of initial investment, however, such immediate cost saving can prove to be false economy when considering the whole life cycle maintenance and operating costs. Under the ECA scheme, however, businesses are eligible to claim full corporation tax relief within the first year on their qualifying capital expenditure.

The ECA scheme means that businesses can offset a significant part of the product and installation cost against taxable profits in the year of purchase. This provides a cash flow boost and incentive to invest in energy saving equipment. In addition, from point of installation your business will benefit from reduced carbon emissions, increased efficiency and lower energy bills, as well as a better quality of light when and where it's needed. This is maximised by the use of controls.

The example below shows the effect on a £10,000 investment in an eligible solution:

Standard Capital Allowance

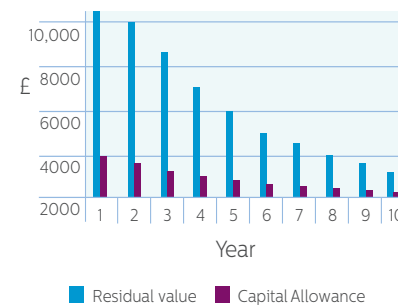
- Business can write off 10% of the qualifying costs against the taxable profits per year on a reducing balance basis. Relief is spread over several years.
- On £10,000 spent in the year of purchase the effect of the allowances would be to reduce the business's tax bill by £270.

Enhanced Capital Allowance

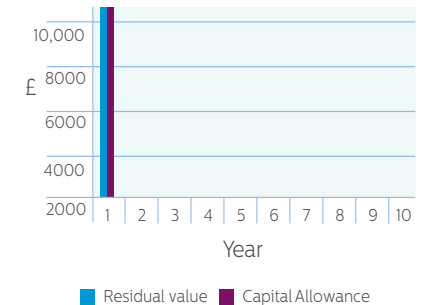
- Business can write off 100% of qualifying costs on eligible plant & machinery against taxable profits in first year after the investment is made.
- On £10,000 spent in year of purchase the effect of allowances would reduce the business's tax bill by £2400 (assuming Co. pays full corporation tax rate).
- Companies within the charge to Corporation tax, a first year credit * of the eligible expenditure may be claimed (to the extent this expenditure creates a taxable loss).

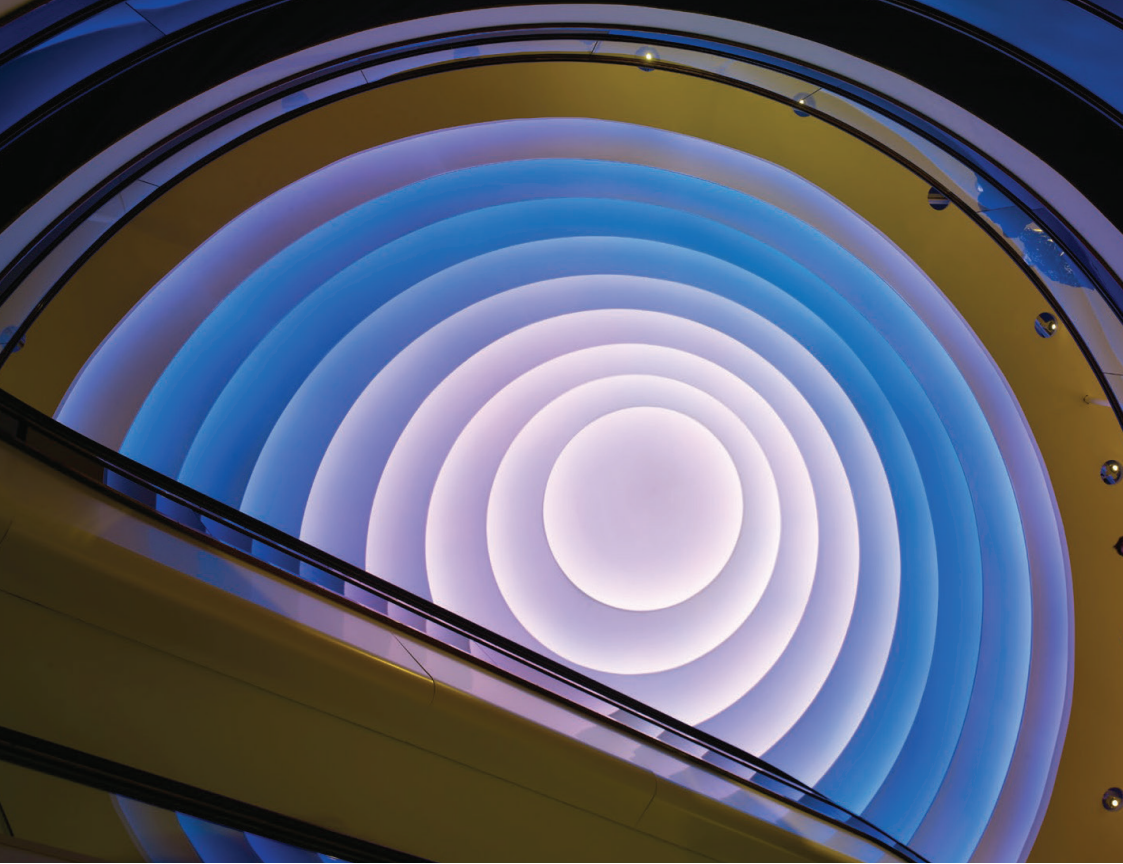
* Check HMRC for actual %

Capital Allowance



Capital Allowance





What do I have to do to benefit?

The ECA claim can be made as part of your annual tax return. The expenditure on the provision of plant and machinery can include not only the actual costs of buying the equipment, but other direct costs such as the transport of the equipment to site, and some of the direct costs of installation. Clarity on the eligibility of direct costs is available from HMRC – www.eca.gov.uk/etl. For more details and a free downloadable PDF, please visit [ECAv7.pdf](#).

How Philips Lighting can help?

Where the lighting solution qualifies, Philips Lighting will provide confirmation that the

product conforms to all the required standards and criteria, in the form of a data sheet or official letter. This can then be used to support your ECA claim, although the final award of tax relief will be at the discretion of your local tax office.

Interested in finding out more?

Talk to your Philips Lighting sales representative who can advise you on how your organisation can save energy, reduce costs and enhance business performance through lighting. If you're not sure who your Philips Lighting sales representative is, you can call us on **+44(0)845 601 1283** or email us at lighting.uk@philips.com to make an appointment.



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