EXPLANATORY MEMORANDUM TO

THE CAPITAL ALLOWANCES (ENERGY-SAVING PLANT AND MACHINERY) (AMENDMENT) ORDER 2016

2016 No. 927

1. Introduction

1.1 This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs and is laid before the House of Commons by Command of Her Majesty.

2. Purpose of the instrument

2.1 This instrument amends the Capital Allowances (Energy-saving Plant and Machinery) Order 2001 (S.I. 2001/2541; "the principal Order"). The effect is that from 7 September 2016, the revised lists of qualifying technologies and products dated 7 September 2016 and issued by the Secretary of State for Business Energy and Industrial Strategy ("the Secretary of State") on 7 September 2016 have statutory effect for the purposes of 100 per cent first year capital allowances for expenditure on qualifying energy saving plant and machinery technologies: the enhanced capital allowances scheme for energy-saving technologies ("the ECA scheme").

2.2 The SI is also updating the reference to DECC in Article 2 of SI 2001/2451 to BEIS.

3. Matters of special interest to Parliament

Matters of special interest to the Select Committee on Statutory Instruments

3.1 None.

Other matters of interest to the House of Commons

3.2 As this instrument is subject to negative resolution procedure and has not been prayed against, consideration as to whether there are other matters of interest to the House of Commons does not arise at this stage.

4. Legislative Context

4.1 Sections 45A to 45C of the Capital Allowances Act 2001 contain the provisions relating to the ECA scheme.

4.2 Section 45A(1) provides that expenditure is qualifying expenditure if it is on energy-saving plant or machinery. Section 45A(2) and (3) define energy-saving plant and machinery. It is plant and machinery that is of a description specified by Treasury order and which meets the energy-saving criteria specified by Treasury order. Section 45A(4) provides that the Treasury can specify the descriptions and criteria by reference to any technology or product list issued by the Secretary of State.

5. Extent and Territorial Application

5.1 The extent of this instrument is the United Kingdom.

5.2 The territorial application of this instrument is the United Kingdom.

6. European Convention on Human Rights

6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

What is being done and why

7.1 The ECA scheme is one of a range of measures to encourage the reduction in the UK's carbon emissions. The scheme enables a business to claim accelerated tax relief on its spending on qualifying energy-saving technologies. The cash-flow benefit of accelerated tax relief can encourage businesses to invest in energy-saving equipment that can reduce their energy use, their energy bills and their payments under the Climate Change Levy. The ECA scheme is dynamic with the detailed energy saving criteria and qualifying technologies being reviewed annually.

7.2 The current qualifying technologies and products are published in lists issued by the Secretary of State on 2 July 2015. These lists are given statutory effect for the purpose of the ECA scheme for energy-saving technologies by SI 2015/1508 which amended the principal Order.

7.3 This instrument gives statutory effect, for the purposes of the ECA scheme, to the revised lists of qualifying technologies and products dated 7 September 2016 and issued by the Secretary of State on 7 September 2016.

7.4 The new list creates a new sub-technology for early leak warning and clarifies the qualifying criteria for Leak Detection Equipment to incorporate changes in technical standards. The primary change edits the criteria to support products that include remote transmission capabilities and meters. This will enable a slightly wider range of businesses to benefit from the scheme.

7.5 The revised lists for the ECA scheme for energy-saving technologies are available at the energy technology list section of Gov.uk and will be incorporated into https://www.gov.uk/guidance/energy-technology-list when the list takes effect.

Consolidation

7.6 None – this Order does not amend another Statutory Instrument.

8. Consultation outcome

8.1 Although no formal consultation has taken place, a series of informal discussions are held annually with industry to establish market trends and developments. The technologies, and the products included in the qualifying lists are reviewed every year by the Secretary of State. This ensures that they are still relevant, and the wording of the qualifying criteria is discussed with suppliers to ensure that it is practicable.

9. Guidance

9.1 Relevant guidance will be updated as appropriate as part of the normal process of review.

10. Impact

10.1 The impact on business, charities or voluntary bodies is negligible.

10.2 There is no impact on the public sector.

10.3 A Tax Information and Impact Note covering this instrument will be published on https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins.

11. Regulating small business

11.1 The legislation applies to activities that are undertaken by small businesses.

11.2 No specific action is proposed to minimise regulatory burdens on small businesses.

12. Monitoring & review

12.1 The measure will be kept under review through communication with affected taxpayer groups.

13. Contact

13.1 Tunde Ojetola at HM Revenue and Customs. Telephone: 03000 585 916 or email: tunde.ojetola@hmrc.gsi.gov.uk can answer any queries regarding the instrument.