

EXPLANATORY MEMORANDUM TO
THE CAPITAL ALLOWANCES (ENVIRONMENTALLY BENEFICIAL
PLANT AND MACHINERY) (AMENDMENT) ORDER 2007

2007 No. 2166

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

This memorandum contains information for the Select Committee on Statutory Instruments.

2. **Description**

This Order amends the Capital Allowances (Environmentally Beneficial Plant and Machinery) Order 2003. The effect is that from 16th August 2007, the revised lists of qualifying technologies issued by the Secretary of State for the Department of Environment, Food and Rural Affairs on 19 July 2007 have statutory effect for the purposes of 100 per cent enhanced capital allowances (ECA) for environmentally beneficial technology.

3. **Matters of special interest to the Joint Committee on Statutory Instruments**

None

4. **Legislative Background**

- 4.1 Sections 45H, 45I and 45J of the Capital Allowances Act 2001 contain the rules for the ECA scheme for environmentally beneficial technology.

- 4.2 Section 45H(1) provides that expenditure is qualifying spending if it is on energy-saving plant or machinery. Section 45H(2) and (3) define what is meant by environmentally beneficial plant and machinery. It is plant and machinery that is of a description specified by Treasury Order and meeting the environmentally beneficial criteria specified by Treasury Order. Section 45H(4) provides that the Treasury Order can deal with the descriptions and criteria by reference to any technology list published by the Secretary of State for the Department of Environment, Food and Rural Affairs.

5. **Extent**

This instrument applies to all of the United Kingdom.

6. **European Convention on Human Rights**

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

7. **Policy Background**

- 7.1 The Government is committed to protecting the environment and conserving natural resources whilst continuing to ensure the

competitiveness of UK industry. The Government believes that environmental taxes and other economic instruments will continue to be key policy tools for achieving environmental improvements.

- 7.2 The scheme for 100% first-year enhanced capital allowances (ECA) enables a business to claim accelerated tax relief on its spending on designated water efficient technology. The cash-flow benefit of accelerated tax relief can encourage businesses to invest in technologies that reduce water use and improve water quality. The scheme is dynamic with the detailed environmentally beneficial criteria and qualifying technologies being reviewed annually.
- 7.3 The current qualifying technologies for the ECA scheme for water efficient technology are published in lists issued by the Secretary of State on 19 July 2006. These lists are given statutory effect by Treasury Order 2006 No. 2235.
- 7.4 This Treasury Order gives statutory effect for the purposes of 100% first year ECAs for water efficient technology, to the revised lists of qualifying technologies issued by the Secretary of State on 19 July 2007.
- 7.5 The new lists issued on 19 July 2007 include three additional technologies: vehicle wash waste reclaim units, efficient industrial cleaning equipment and waste management for mechanical seals. The lists are available on the website for the water efficient ECA scheme www.eca-water.gov.uk.

8. Impact

- 8.1 A Regulatory Impact Assessment has not been prepared for this instrument as it has no impact on business, charities or voluntary bodies.
- 8.2 There is no impact on the public sector

9. Contact

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