

EXPLANATORY MEMORANDUM TO
THE CAPITAL ALLOWANCES (ENVIRONMENTALLY BENEFICIAL
PLANT AND MACHINERY) (AMENDMENT) ORDER 2008

2008 No. 1917

1. This explanatory memorandum has been prepared by Her Majesty's Revenue & Customs (HMRC) 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**

These Regulations amend The Capital Allowances (Environmentally Beneficial Plant and Machinery) Order 2003 (S.I. 2003/2076). The effect is that from 11th August 2008, the revised lists of qualifying technologies issued by the Secretary of State for the Department of the Environment, Food and Rural Affairs on 16th July 2008 have statutory effect for the purposes of 100 per cent first year capital allowances for expenditure on qualifying environmentally beneficial plant and machinery technologies ("the enhanced capital allowances (ECA) scheme for environmentally beneficial technologies").

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

The explanatory note to this Instrument explains that:

"A full and final Impact Assessment has not been produced for this instrument as a negligible impact on the private or voluntary sectors is foreseen."

This is because the accepted Government practice is that no IA will be published for HMRC and HM Treasury tax measures for which:

- the total effect of the changes across all UK business is less than £100,000 of administrative burden costs/savings and/or £3m of compliance cost in total; and
- the Department's Better Regulation and Policy team has confirmed that:
 - there are no disproportionate impacts on any business or sector; and
 - there are no other issues that might make publication of an IA advisable.

This is such a measure.

HMRC are working with the Department for Business, Enterprise and Regulatory Reform to ensure that the next edition of the Statutory Instrument Practice reflects these changes.

4. Legislative Background

- 4.1 Sections 45H, 45I and 45J Capital Allowances Act (CAA) 2001 contain the rules for the ECA scheme for environmentally beneficial technologies.
- 4.2 Section 45H(1) provides that expenditure is qualifying spending if it is on environmentally beneficial plant or machinery. Sections 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 the 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 ECA scheme for environmentally beneficial technologies enables a business to claim accelerated tax relief on its spending on qualifying water efficient technologies. 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 are published in lists issued by the Secretary of State on 19th July 2007. These lists are given statutory effect by Treasury Order 2007 No. 2166.
- 7.4 This Treasury Order gives statutory effect, for the purposes of the ECA scheme, to the revised lists of qualifying technologies issued by the Secretary of State on 16th July 2008.
- 7.5 The new lists issued on 16th July 2008 revise the names of a number of existing technologies. They also include a new technology class "Water Reuse". This replaces the existing "Efficient Membrane Filtration Systems for the Treatment of Wastewater for Recovery and Reuse" technology class, which now becomes a sub-class of the Water Reuse technology class, along with a new sub-class "wastewater

recovery and reuse systems”. The revised lists are available on the website for the water efficient ECA scheme at www.eca-water.gov.uk

8. Impact

8.1 A full and final Impact Assessment has not been prepared for this instrument as a negligible impact on the private or voluntary sectors is foreseen.

8.2 There is no impact on the public sector.

9. Contact

Nick Williams at HM Revenue & Customs (tel: 020 7147 2541; e-mail: nicholas.williams@hmrc.gsi.gov.uk) can answer any queries about the instrument.