

Accelerated Capital Allowances for Energy-Efficient Equipment [Section 285A TCA 1997]

Part 09-02-04

Document last updated February 2019.

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Introduction

Finance Act 2008 introduced an incentive for the provision of certain energy-efficient equipment for use in a company's trade and is provided for under section 285A of the TCA, 1997. Finance Act 2016 extended the scheme to un-incorporated businesses with effect from 1 January 2017.

The equipment must be included in the list of energy-efficient equipment maintained and published by the Sustainable Energy Authority of Ireland (SEAI) in order to qualify under the scheme. Accelerated capital allowances of 100% of the capital expenditure incurred on such equipment can be claimed for the year in which the equipment is first provided and used. The scheme runs until 31 December 2020.

Finance Act 2018 introduced some amendments to the scheme. A framework for the criteria that products must meet/comply with to be eligible under the scheme is now provided for in the section. This allows the SEAI to publish the list of eligible products on their website and amend the list as appropriate, based on the criteria. Previously the products included on the list were published and regularly revised following Orders made by the Minister for Communications, Climate Action and Environment.

1. Capital Allowances

Capital allowances in the form of wear and tear allowances will be available where the provisions of section 284 of the TCA, 1997 are met as follows:

- A person carrying on a trade must incur capital expenditure on the provision of machinery or plant for the purposes of that trade;
- The machinery or plant must belong to that person;
- The machinery or plant must be in use at the end of the chargeable period for which the allowances are claimed;
- While the machinery or plant is used for the purposes of the trade, it must be wholly and exclusively so used.

Because of the possibility that the eligible energy-efficient equipment may not be regarded as machinery or plant in its own right for the purposes of wear and tear allowances, any products that have been included in the list published by the SEAI are deemed to be machinery or plant.

Wear and tear allowances for machinery or plant are generally given over an eight-year period at an annual rate of 12.5% of the capital expenditure incurred. In the case of energy-efficient equipment included in the list this rate is accelerated and the entire allowance can be claimed in the first year in which the equipment is provided and used for the person's trade. Energy-efficient equipment that is machinery or plant but that has not been included in the list can, of course, avail of the normal wear and tear allowances.

The normal rules regarding balancing charges in section 288 of the TCA, 1997 apply. Where certain 'balancing' events occur, for example, the sale of the equipment or its ceasing to be used for the purposes of the trade, there may be a claw-back of the allowances already granted having regard to the proceeds or value of the equipment (or deemed proceeds/value) at the time of the event.

2. Who can qualify for the incentive?

The scheme of accelerated capital allowances is available to **companies and unincorporated businesses** that incur expenditure on eligible energy-efficient equipment for use in their trade. The equipment must be owned by the business. Equipment that is leased, let or hired will not qualify for the allowance.

3. Conditions

The energy-efficient equipment must be new. It must meet certain energy-efficient criteria and must fall within one of the 10 classes of technology specified in Schedule 4A of the TCA, 1997. Products eligible under the scheme are included in a list of energy-efficient equipment published and maintained by the SEAI. A full list of qualifying equipment can be viewed on the SEAI website at: [Accelerated Capital Allowance](#)

A minimum amount of expenditure must be incurred on providing the equipment and this varies with the particular category to which the product belongs.

The 10 categories of equipment and the minimum expenditure amounts are listed under Schedule 4A of the TCA, 1997. An up-to-date version of Schedule 4A, as inserted by Finance Act 2014 and amended by Finance Act 2018, is reproduced at Appendix 1.

4. How relief is claimed

There is no requirement to obtain approval for expenditure on the energy-efficient equipment. The normal self-assessment provisions apply. Once all the required conditions are met, the allowance can be claimed for the accounting period in which the equipment was first provided and used for the trade provided that the equipment is included on the published list at some stage during that accounting period. The allowance should be claimed on the person's return of income (Form CT1 or Form 11) along with any other wear and tear allowances for machinery and plant. Both the CT1 and Form 11 include a separate line for claims made under section 285A.

5. Note re: Electric and Alternative Fuel Vehicles

Note: this category is included in the scheme as part of the strategy to promote greater usage of low-emissions vehicles.

Section 37 of the Finance (No. 2) Act, 2008 inserted a new subsection 8A into section 285A. The new subsection, ensures that in the case of cars coming under the category “Electric and Alternative Fuel Vehicles” the accelerated allowance is based on the lower of the actual cost of the vehicle or the specified amount of €24,000 referred to in section 380K(4) TCA, 1997.

The emissions-based scheme in Tax and Duty Manual [Part 11-00-01 - 11C](#) will not apply where a person opts to avail of accelerated capital allowances under section 285A. The converse also applies so that a person can opt for one scheme or the other, but not both, insofar as business cars are concerned.

For electric or alternative fuel cars, a person may opt for the accelerated allowance scheme for energy efficient equipment under section 285A or the existing emissions based scheme of allowances under Tax and Duty Manual [Part 11-00-01 - 11C](#). The latter scheme, which was introduced in Finance Act 2008, is based on the emissions levels of cars. Under this scheme an allowance is available at 12.5% over a period of 8 years based on a “specified amount” of €24,000 for low emission cars regardless of the actual cost. For example, capital allowances based on allowable expenditure of €24,000 will be available for a car with CO2 emissions of less than 156g/km even where the actual cost of the car is lower. However, where the cost of such a car exceeds €24,000 the capital allowances are restricted to the “specified amount” of €24,000.

6. Legislation

The scheme as introduced in Finance Act 2008 included the first three categories of equipment listed at Appendix 1 and the relevant section was commenced on 9 October 2008. The next four categories of equipment listed in the Appendix were added as a result of Finance (No. 2) Act 2008 and the relevant section was commenced on 23 March 2009. The final 3 categories of equipment were added as a result of Finance Act 2010 and the relevant section was commenced on 10 May 2010. Full details of the relevant Finance Act sections and the dates the sections were commenced are set out in the Table below:

Section of Act	Date of commencement	Categories of Equipment
S 46 F Act 2008	9 Oct 2008 S.I. 397/2008	Motors and Drives Lighting Building Energy Management Systems
S 37 F (No. 2) Act 2008	23 March 2009 S.I. 91/2009	Information and Communications Technology (ICT) Heating and Electricity Provision Process and Heating, Ventilation and Air-conditioning (HVAC) Control Systems Electric and Alternative Fuel Vehicles
S 44 F Act 2010	10 May 2010 S.I. 196/2010	Refrigeration and Cooling Systems Electro-mechanical Systems Catering and Hospitality Equipment

Appendix 1 - Schedule 4A TCA 1997

(Class of Technology) (1)	(Description) (2)	(Minimum Amount) (3)
Motors and Drives	Electric motors and drives designed to achieve high levels of energy efficiency.	€1,000
Lighting	Lighting equipment and systems designed to achieve high levels of energy efficiency.	€3,000
Building Energy Management Systems	Building energy management systems designed to achieve high levels of energy efficiency.	€5,000
Information and Communications Technology (ICT)	ICT equipment and systems designed to achieve high levels of energy efficiency.	€1,000
Heating and Electricity Provision	Heating and electricity provision equipment and systems designed to achieve high levels of energy efficiency.	€1,000
Process and Heating, Ventilation and Air-conditioning (HVAC) Control Systems	Process and heating, ventilation and air-conditioning (HVAC) equipment and systems designed to achieve high levels of energy efficiency.	€1,000
Electric and Alternative Fuel Vehicles	Electric and alternative fuel vehicles and equipment designed to achieve high levels of energy efficiency.	€1,000
Refrigeration and Cooling Systems	Refrigerating and cooling equipment and systems designed to achieve high levels of energy efficiency.	€1,000
Electro-mechanical Systems	Electro-mechanical equipment and systems designed to achieve high levels of energy efficiency.	€1,000
Catering and Hospitality Equipment	Catering and hospitality equipment and systems designed to achieve high levels of energy efficiency.	€1,000