

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

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Introduction

Finance Act 2008 introduced an incentive scheme for certain energy-efficient equipment purchased for use in a company's trade. The scheme is provided for under section 285A of the TCA, 1997. Finance Act 2016 extended the scheme to unincorporated 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 used for the purposes of the trade. The scheme runs until 31 December 2023.

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 the Environment, Climate and Communications.

From 1 January 2022 equipment that operates on fossil fuel (other than equipment that operates on electricity generated using such fuel) is no longer included in the list of energy efficient equipment. Capital expenditure incurred on or after 1 January 2022 on such equipment does not qualify for accelerated allowances¹.

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.

¹ Section 21 Finance Act 2021

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 year in which the expenditure is incurred provided the equipment is in use for the person's trade at the end of the chargeable period. 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](#). As noted above, equipment that operates directly by fossil fuel (other than equipment that operates on electricity generated using such fuel) is no longer included in the list of qualifying equipment. Capital expenditure incurred on such equipment on or after 1 January 2022 does not qualify for accelerated capital allowances.

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 substituted 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 chargeable period in which the equipment is first used for the trade provided that the equipment is included on the published list at some stage during that chargeable 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 field for claims made under section 285A.

5. Electric and Alternative Fuel Vehicles

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 subsection 8A into section 285A. Subsection 8A 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](#) 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. 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 141g/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.

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