



ENHANCED CAPITAL ALLOWANCES

Enhanced Capital Allowances (ECAs) are now available to companies locating in the Leeds City Region Enterprise Zone as one of a number of financial incentives designed to encourage investment and development of the Enterprise Zone.

ECAs allow companies locating new operations in the Enterprise Zone and making large scale capital investments in plant and machinery to be able to offset 100% of the investment against taxable profits in the same year that the investment is made.

ECAs are available on designated sites at Logic Leeds and Temple Green, the two largest developments within the Enterprise Zone which have planning permission for employment space totalling 3.8 million sq ft.

The scheme offers a significant financial incentive for large companies that pay corporation tax in the UK when they are looking to make a major investment in plant and machinery.

Ideal for capital intensive, high value manufacturing operations, ECAs make the Enterprise Zone a compelling investment proposition and location for larger multi-national investors who may not currently have operations based in the Leeds City Region.

For example, a company spending £5 million on qualifying plant and machinery that receives ECAs would benefit from a corporation tax reduction in year one of £1.05 million. That compares with a reduction of £136,500 under normal capital allowance regulations – an immediate net benefit to the company of £913,500.⁽¹⁾

ECAs are available to cover investments made before March 2020.⁽²⁾

For companies making smaller investments, the Enterprise Zone offers reduced business rates worth up to £275,000 over a five year period. Grants of up to £500,000 are also available through the Leeds City Region business growth programme to companies operating in key business to business sectors, including advanced manufacturing and engineering. The grants, linked to employment creation and depending on the size of the company, can cover up to 20% of the total value of an investment in new premises and capital equipment.

⁽¹⁾ Enhanced capital allowance corporation tax reduction calculated as follows:
 $\text{£5m} \times 100\% \text{ ECA} \times 21\% \text{ corporation tax} = \text{£1.05m tax reduction}$
 Standard capital allowance corporation tax reduction calculated as follows:
 Assuming £2.5m of the £5m qualifies at the main pool expenditure rate (18%) and £2.5m qualifies at the special rate (8%):
 $(\text{£2.5m} \times 18\% \times 21\%) + (\text{£2.5m} \times 8\% \times 21\%) = \text{£136,000}$
 ECAs effectively enable companies to bring forward the tax relief normally available over a number of years under standard capital allowances.

⁽²⁾ Public sector financial assistance is normally restricted to a maximum of €200,000 over a three year period and only available to SMEs, defined as companies with less than 250 employees and a turnover no greater than €50 million. The company must be an independent entity with no external shareholdings greater than 25%. Assisted Area status removes this restriction on the level of financial support. Normal 'state aid' regulations apply outside Assisted Areas.

ELIGIBILITY CHECKLIST

1. Expenditure needs to be incurred within a designated Enterprise Zone location.
2. Expenditure can be incurred within a five year period up to end of March 2020.
3. The new capital investment must be in new qualifying plant or machinery and must not be second hand.
4. The new capital investment must be maintained in the assisted area for five years.
5. Existing companies must be investing in new capital assets to expand their business, rather than simply replacing existing plant and machinery.
6. Expenditure that can be offset against tax in this way includes expenditure on 'plant and machinery' – this covers most assets likely to be purchased for business use, such as:
 - Office furniture and equipment
 - Vans, lorries and equipment
 - Building fixtures, e.g. shop fittings, kitchen or bathroom fittings
 - Business machines, e.g. printing press, lathes, tooling machines
 - Tractors, combine harvesters and other agricultural machinery
 - Computer hardware and software
 - Computerised/computer aided machinery including robotic machines
 - Wind turbines and fibre optic cabling



7. Land and buildings do not qualify for Capital Allowances.

8. Due to EU state aid rules, certain sectors cannot be supported, including production of agricultural products, fishery/aquaculture industries, transport sector or related infrastructure, management of waste undertakings, coal industry, steel industry, shipbuilding industry, synthetic fibres sector, energy generation, distribution or infrastructure and development of broadband networks.
9. The maximum capital investment that can qualify for enhanced allowances is €125 million per project.

Further information

Search HMRC notice: Enterprise Zones: First Year Allowances for Designated Areas

How can we help?

Invest Leeds City Region offers a comprehensive service to investors from the initial point of enquiry right through to soft-landing and aftercare. We can help you identify, secure and fund the perfect solution for your business to grow.



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