

# Waste & Energy

## Waste Matters

Tax issues affecting  
your business



**Cowgill Holloway LLP is a leading independent accountancy and advisory firm.**

Recognising the importance of a sector focus, we operate through sector teams, providing industry-specific, reliable and bespoke solutions to the challenges facing many of today's businesses.

Each partner-led team is staffed by sector specialists who have in-depth experience and knowledge in their chosen field. This approach gives our clients a high quality service based on a sound understanding of the market.

We have produced this document as the first in a series of briefings aimed at the waste and energy sector. In this issue of "Waste Matters" we look at tax strategies for encouraging cash back into the business. When addressing tax issues for the waste industry the focus is normally quite rightly on the main indirect taxes levied on the industry such as landfill tax. It can, however, be beneficial to explore some general tax incentives which may be missed by businesses in the industry but can prove invaluable in securing cash flow advantages.

## Tax Credit for Green Technology

Finance Act 2008 introduced a new tax credit for companies that purchase green technology. If the company makes a loss in the year that it purchases green technology then it can surrender part of the loss for a cash repayment from HM Revenue & Customs.

The green technology scheme was already in place for companies to get tax relief for the cost of new green technology against profits by way of a 100% capital allowance scheme but this new development allows companies in loss making positions e.g. new start ups to receive a cash flow benefit from the taxman in return for investing in designated green technologies.

There are two types of plant and machinery available. These are water or energy efficient plant. Examples of the types of technology in use in the waste and recycling industry that may qualify are boilers, combined heat and power units, compact heat exchangers etc. Slurry and sludge dewatering equipment and membrane filtration systems are included in the qualifying water technology category.

These are only a small selection of the types of equipment that qualify and it is likely that many businesses will have purchased this type of technology in refurbishments of waste or recycling plants or in new start ups in areas such as waste to power and biomass etc. Any scheme of expansion will almost certainly have a capital allowances element that may have been overlooked and which, if investigated, can be turned into a cash flow advantage for the business.

## Research & Development ("R&D") Tax Relief

For companies involved in niche areas of the waste industry there may be scope for a claim to R&D tax relief.

Work undertaken on R&D in the waste to energy sector and development of new techniques in site preparation for the remediation sector are just some of the types of activity that may fall within the definition of R&D for tax purposes.

Qualifying expenditure such as staff wages and consumables would then be enhanced by a maximum of 50% (for "large" companies the enhancement is restricted to 25%). Finance Act 2008 announced that the rate of relief for small and medium sized companies would be uplifted to 75% but this has yet to be actually implemented. It should be noted that the relief is only available to companies. There is a time limit of two years from a company's accounting year end in which to make a claim. If the company is in a loss making position then a cash repayment can be requested in exchange for a surrender of the losses to the taxman.

## How can we help?

If you would like further information regarding Cowgill Holloway or our work within the waste industry, please contact one of the following members of the waste sector advisory team:

**James Greenhalgh** Manager, Tax Solutions  
Regency House, 45-51 Chorley New Road, Bolton BL1 4QR  
Telephone: **01204 414243** Email: [james.greenhalgh@cowgills.co.uk](mailto:james.greenhalgh@cowgills.co.uk)

**Stuart Stead** Partner, Audit & Compliance  
Regency House, 45-51 Chorley New Road, Bolton BL1 4QR  
Telephone: **01204 414270** Email: [stuart.stead@cowgills.co.uk](mailto:stuart.stead@cowgills.co.uk)

**Paul Stringer** Partner, Corporate Finance  
49 Peter Street, Manchester M2 3NG  
Telephone: **0161 827 1208** Email: [paul.stringer@cowgills.co.uk](mailto:paul.stringer@cowgills.co.uk)



[www.cowgills.co.uk](http://www.cowgills.co.uk)