

VAT update on energy saving materials and heating equipment

11th April 2022

In the Spring Statement it was announced that the installation of energy saving materials and equipment in residential accommodation would in some cases benefit from zero rating. Previously there were provisions to reduce rate some such supplies but this was restricted due to social policy conditions and a 60% test, which have now been removed. The new zero rating will apply to supplies made from 1st April 2022 to 31st March 2027.

Tradespeople therefore need to take care when quoting and invoicing for such work to ensure that the correct rate of VAT is applied.

VAT Notice 708/6 has now been updated accordingly for these changes and the link is:

<https://www.gov.uk/guidance/vat-on-energy-saving-materials-and-heating-equipment-notice-7086> .

Energy saving materials covered include:

- controls for central heating and hot water systems
- draught stripping
- insulation
- solar panels
- ground source heat pumps
- air source heat pumps
- micro combined heat and power units
- wood-fuelled boilers
- wind turbines
- water turbines

Each of the above is then expanded on within the above notice.

This VAT Notice does include examples of instances where zero rating is not applicable, and care needs to be taken to ensure that works does qualify for zero rating before it is quoted and charged to customers. Zero rating may not apply to some energy saving work where other goods and services are being provided, or where they form part of a larger job. Sections 2.7.2, 2.7.3 and 2.7.4 give some practical examples around mixed supplies and ancillary services to help in determining when zero rating can be applied.

How can we help?

If clients are unsure as to the correct VAT treatment of any works we are here to help and support to ensure the correct VAT treatment is applied.

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