

15% VAT increase planned for 2016

Dennis Flower
dennis.flower@emap.com

A proposal has been submitted by the government to raise VAT on energy-saving products from 5% to the full rate of 20% next August.

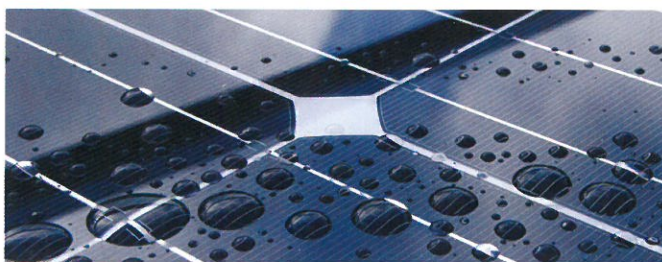
It follows a court ruling by the EU earlier this year that the UK's reduced VAT rate does not comply with the EU VAT Directive.

The court ruled that energy-saving products could not be regarded as providing a renovation to a property. As a result, HMRC is proposing that the VAT rate is raised to 20% for solar – including solar PV and solar thermal systems – as well as for wind and water turbine purchases, and this will be applicable from 1 August.

HMRC stated that supplies paid for and contracts signed before this date would not be affected by the changes.

Green Heat managing director Peter Thom described the move as “yet another setback for homeowners and the wider energy-efficiency sector committed to reducing carbon emissions in the battle to save our planet”.

He added: “We are probably the only country in Europe



From 1 August, both solar PV and thermal will see their VAT rates hit 20%

charging only 5% VAT on energy instead of the full rate, which is 23% in many countries. This is bizarre.”

He said that VAT on energy should be increased and all “hidden energy taxes” should be scrapped, as these are abused by energy suppliers.

Additional revenue to eradicate fuel poverty should be “ring-fenced”, he added.

Mr Thom accused the EU and UK governments of giving mixed messages and called for more robust and supportive policies.

Solar Trade Association head of policy Mike Landy said urgent action was required by both the government and the European Commission, calling for HMRC to “push back” for solar to keep its reduced VAT rate.

He also said the “massive” price rise should be taken into account within the Feed-in Tariff (FiT) cuts, which were still to be confirmed at the time this issue of *H&V News* went to press.

Concern over the proposal was also expressed by the Heating and Hotwater Industry Council, where director Stewart Clements said: “The EU is trying to encourage the installation of energy-efficiency measures and renewables and yet is now insisting on increasing the costs for these very measures. The decision is perplexing to say the least.”

Mr Clements also supported the need for the Department of Energy & Climate Change to take the VAT rise into account “in its imminent decision on how far to cut the FiT for solar”.

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50°C

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