



Local Matters, National Strength.

Federation of Master Builders – webinar June 2022

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Background

- UK has a reduced-rate of VAT for Energy Saving Materials (ESMs), i.e. 5%
 - EU believed UK had drawn the scope of the reduced-rate relief too wide
 - EU undertook infraction proceedings against the UK at the ECJ in 2014 - European Commission v United Kingdom C-161/14
 - UK implemented changes required as result of infraction proceedings in 2019
 - Reduced-rate of installation of ESMs limited to supplies to individuals who met certain social conditions
 - If these conditions did not apply, suppliers were required to calculate the value of the goods and service elements individually
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Background

- The reduced-rate would only apply if the service element accounted for over 60% of the total cost of the installation
 - Otherwise, part reduced-rated / part standard-rated
 - The UK was also required to exclude wind and water turbines from the list of qualifying ESMs
 - FMB lobbied for the reversal of the 2019 changes + others
 - HMG also has 'net zero' emissions objectives
 - Following Brexit, GB is no longer bound by the results of the infraction proceedings
 - Result = GB permanently reversing the 2019 changes
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Background

- I keep mentioning GB = Great Britain, i.e. England, Scotland and Wales
- As a consequence of the Northern Ireland Protocol, the changes do not apply to Northern Ireland
- Instead, to 'level-up', the Northern Ireland Executive will receive a 'Barnett share' of the value of the relief until it can be introduced UK-wide



Changes Overview

- The relief will no longer be restricted by the social policy conditions or the 60% test
 - Wind and water turbines will be added back to the list of ESMs
 - A temporary zero-rate will be introduced with effect from 1 April 2022 until 31 March 2027
 - Unless HMG extends the period of the zero-rate, the installation of ESMs will revert back to the 5% reduced-rate from 1 April 2027
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Changes Specific

- During the 5 years window...
- The zero-rate applies to the installation of certain specified energy-saving materials in, or in the curtilage, of residential accommodation in GB
- The supply of energy-saving materials without installing them, is standard-rated.
 - For example, the sale of energy-saving materials by a retailer is standard-rated.
- The supply of the services of installing certain specified energy-saving materials and no materials, if supplied in GB will be zero-rated.



Changes Specific

- The zero-rate applies to the installation of the following ESMs:
 - all ESMs as listed below
 - wind turbines
 - water turbines
 - ESMs 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
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Changes Specific

- Note: these all have the meaning / definition applied in HMRC guidance.
 - Wind Turbines include:
 - the installation of wind turbines together with the installation of all equipment essential to the operation of wind turbines, including mounting poles, electrical cables, battery banks and voltage controllers
 - Water Turbines include:
 - the installation of water turbines together with the installation of all equipment essential to the operation of water turbines, including electrical cables, battery banks and voltage controllers
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Installation of energy-saving materials with...

- Ancillary Supplies:
 - An ancillary supply is a supply of goods or services that is a better means of enjoying the principal supply
 - Example...
 - Supplies with other goods and services
 - Sometimes, when individual goods and services are provided together, there is not a single dominant supply and these individual goods and services are provided together have equal importance but take the form of something else
 - Example...
 - Mixed supplies
 - More than one job at the same premises, the VAT liability will depend upon the circumstances
 - Example...
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Contracts

- How you contract for work can make a difference to the VAT liability. For example:
 - where possible and beneficial, it may be appropriate to agree to do all works under one contract and treat the VAT liability of the ancillary works the same as the principle works, or alternatively,
 - where possible and beneficial, it may be appropriate to agree to do some works under a different contract and at a different time, to obtain some VAT reliefs
 - Whatever is planned and done, must have substance
 - Ensure contract(s) is/are in writing, includes the necessary wording to achieve its purpose, has been reviewed by your VAT consultant and has given legal...
 - FMB has a Template contract
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