

One thing we have learnt this week – VAT on solar

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I'm extremely pro Europe and want to remain but I would be the

first to concede the EU does not get everything right. One thing its got very very wrong is VAT on solar and other energy saving materials. This saga goes all the way back to when Gordon Brown was Prime Minister. He wanted to cut VAT on solar and other things like insulation. There was a value added tax (VAT) of 17.5%. (In those days as now there were three rates, 0% on items like children's clothes, 5% and 17.5%.) When I installed my first PV system I managed to get the rate down with an HRMC ruling to 5% since I imported the modules myself. Brown as I remember it wanted the rate cut to either zero or 5%. This is illegal under the EU single market rules without the EU commission agreeing. This they would not do. Brown argued for a zero rate throughout the EU. This they would also not do. At some point the UK government cut VAT to 5%. The EU commission took the UK government to the European Court of Justice, where we lost. The government ignored the ruling. Then came the EU referendum. Astoundingly despite the fact we are supposedly leaving the UK government has given up and is raising the rate. There will be some exemptions as there are now. At the moment the 5% rate only applies to the residential market and you had to use an installer. Under the proposed changes there will be some exemptions for those over 60 and people living in sheltered housing. Here's what I found online (Crowe.com) "If the customer or building does not qualify under the above heading, the goods and services can still be subject to 5% VAT provided that the goods make up no more than 60% of the total charge. If they do, then 5% VAT can only apply to the services element." I don't know how achievable the 60% figure is. This is all just wrong. The EU should be making all renewable and energy saving equipment zero rated. After all we are facing a climate emergency. Its also very annoying since oil and gas are charged 5% VAT. If we do ever leave the EU it will be interesting to see what happens... Neil

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