

**2007 No. 831**

**INCOME TAX**

**The Energy-Saving Items Regulations 2007**

*Made* - - - - - *13th March 2007*

*Laid before the House of Commons* *14th March 2007*

*Coming into force* - - - *6th April 2007*

The Treasury make the following Regulations in exercise of the powers conferred by sections 312 and 314 of the Income Tax (Trading and Other Income) Act 2005(a).

**Citation, commencement and interpretation**

1.—(1) These Regulations may be cited as the Energy-Saving Items Regulations 2007, shall come into force on 6th April 2007, and shall have effect in respect of expenditure incurred on or after 6th April 2007.

(2) In these Regulations—

“ITTOIA 2005” means the Income Tax (Trading and Other Income) Act 2005;

“deduction” means a deduction allowed under section 312 of ITTOIA 2005 (deduction for expenditure on energy-saving items);

“relevant expenditure” means expenditure which is incurred in acquiring and installing an energy-saving item in a dwelling-house.

**Items of an energy-saving nature**

2. The following descriptions of items of an energy-saving nature are specified for the purposes of section 312(5)(c) of ITTOIA 2005—

- (a) hot water system insulation;
- (b) draught proofing;
- (c) solid wall insulation; and
- (d) floor insulation.

**Maximum expenditure allowed on energy-saving items**

3.—(1) The maximum amount of the relevant expenditure which may be taken into account in calculating the deduction is £1,500 per dwelling-house.

(2) Paragraph (1) applies irrespective of the number of persons incurring relevant expenditure or entitled to a deduction in respect of that dwelling-house.

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(a) 2005 c. 5.

#### **Further provisions relating to apportionments and contributions**

- 4.—(1) Paragraph (2) applies if relevant expenditure is incurred on a dwelling-house which—
- (a) is owned jointly or in common by the person entitled to the deduction and by other persons, or
  - (b) is subject to differing estates or interests.
- (2) If this paragraph applies—
- (a) a just and reasonable apportionment of the relevant expenditure must be made, and
  - (b) the deduction allowed is the part of the relevant expenditure incurred by the person entitled to the deduction.
- (3) Paragraph (4) applies if relevant expenditure is incurred which—
- (a) falls within paragraph (1), and
  - (b) exceeds the maximum amount (see regulation 3).
- (4) If this paragraph applies—
- (a) the relevant expenditure must be restricted on a proportionate basis to arrive at the maximum amount,
  - (b) a just and reasonable apportionment of the maximum amount must be made, and
  - (c) the deduction allowed is the part of the maximum amount incurred by the person entitled to the deduction.
- (5) If the person entitled to the deduction has received a contribution from any other person towards the relevant expenditure incurred, that contribution shall be excluded in calculating the relevant expenditure incurred by the person entitled to the deduction.
- (6) If in connection with this regulation any question arises as to the amount of the deduction to which a person may be entitled—
- (a) the amount shall be treated as if it were an amount specified in a paragraph of subsection (1) of section 42 of the Income and Corporation Taxes Act 1988<sup>(a)</sup> (appeals against determinations under sections 34 to 36 or Chapter 4 of Part 3 of ITTOIA 2005), and
  - (b) the procedure set out in that section shall apply accordingly.

#### **Revocation of earlier Regulations**

5. The Regulations listed in the Schedule are revoked.

13th March 2007

*Frank Roy*  
*Alan Campbell*  
Two of the Lords Commissioners of Her Majesty's Treasury

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<sup>(a)</sup> 1988 c. 1; section 42 was amended by paragraph 24 of Schedule 1 to the Income Tax (Trading and Other Income) Act 2005.

## SCHEDULE

### Regulations Revoked

(1)	(2)	(3)
Regulations revoked	References	Extent of revocation
The Energy-Saving Items (Deduction for Expenditure etc.) Regulations 2004	S.I. 2004/2664	The whole Regulations
The Energy-Saving Items Regulations 2005	S.I. 2005/1114	The whole Regulations
The Energy-Saving Items Regulations 2006	S.I. 2006/912	The whole Regulations

## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

Section 312 of the Income Tax (Trading and Other Income) Act 2005 (c. 5) provides that the Treasury may make regulations to specify other descriptions of energy-saving items in respect of which expenditure may be deducted by residential landlords when calculating the profits of their property business. Section 314 further provides that the Treasury may make regulations providing for the apportionment and restriction of the amount of such a deduction. These Regulations exercise the powers contained in those sections.

Regulation 1 deals with citation, commencement and interpretation.

Regulation 2 specifies that hot water system insulation, draught proofing, solid wall insulation and floor insulation are to be classed as items of an energy-saving nature.

Regulation 3 restricts the maximum amount of expenditure for which a deduction is allowed to £1,500 per property (dwelling-house) per tax year.

Regulation 4 provides for a just and reasonable apportionment of the allowable deduction where two or more people each own or have interests in the property in question. This regulation also deals with contributions to expenditure, and provides an appeal mechanism in cases where there is a dispute.

Regulation 5 revokes previous Regulations which have dealt with the treatment of items of an energy-saving nature.

A full regulatory impact assessment has not been produced for this instrument as no impact on the private or voluntary sectors is foreseen.

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