

2019 No. 958

VALUE ADDED TAX

**The Value Added Tax (Reduced Rate) (Energy-Saving
Materials) Order 2019**

Approved by the House of Commons

Made - - - - 20th May 2019

Laid before the House of Commons 21st May 2019

Coming into force - - 1st October 2019

The Treasury make the following Order in exercise of the power conferred by sections 29A and 96(9) of the Value Added Tax Act 1994(a).

Citation, commencement and effect

1.—(1) This Order may be cited as the Value Added Tax (Reduced Rate) (Energy-Saving Materials) Order 2019 and comes into force on 1st October 2019.

(2) The amendments made by this Order have effect in relation to supplies made on or after 1st October 2019, except for—

- (a) supplies paid for before that date, and
- (b) supplies made pursuant to a contract entered into before that date.

Amendment of Group 2 of Schedule 7A to the Value Added Tax Act 1994

2. In Part 2 of Schedule 7A to the Value Added Tax Act 1994, Group 2 (installation of energy-saving materials)(b) is amended as follows.

3. For items 1 and 2 substitute—

“**1.** The supply of services of installing energy-saving materials in residential accommodation, where the energy-saving materials are not supplied by the person supplying the services.

2. The supply of services of installing energy-saving materials in residential accommodation, including the energy-saving materials installed, where—

- (a) the supply is made to a qualifying person and the residential accommodation is the qualifying person’s sole or main residence,

(a) 1994 c. 23; section 29A was inserted by section 99(4) of the Finance Act 2001 (c. 9) and section 96(9) was amended by section 99(6) of, and paragraph 5 of Part 2 of Schedule 31 to, that Act.

(b) Schedule 7A was inserted by section 99(5) of, and paragraph 1 of Part 1 of Schedule 31 to, the Finance Act 2001 (c.9); Group 2 has been amended by S.I. 2004/777, 2005/726 and 2005/3329; items 1 and 2 were substituted by, and Note 3 was repealed by, paragraphs (1) to (3) of section 193 of the Finance Act 2013 (c. 29).

- (b) the supply is made to a relevant housing association, or
- (c) the residential accommodation is a building, or part of a building, used solely for a relevant residential purpose.

3. The supply, in a case not falling within item 2, of services of installing energy-saving materials in residential accommodation, including the energy-saving materials installed (but see Note A1).”.

4. After “NOTES” (and before the italic heading “Meaning of energy-saving materials”) insert—

“Restriction on item 3

A1.—(1) Item 3 does not apply to a supply so far as relating to the energy-saving materials installed if the open market value of the supply of the materials exceeds 60% of the cost of the total supply to the person to whom it is made.

(2) In this Note, the reference to cost is to cost net of VAT.”

5. In Note 1 (meaning of “energy-saving materials”) omit paragraphs (f) and (g).

6. After Note 3 insert—

“Meaning of “qualifying person”

4. For the purposes of this Group “qualifying person” has the same meaning as it has for the purposes of Group 3(a) (see paragraph 6 of the Notes to that Group).

Meaning of “relevant housing association”

5. For the purposes of this Group “relevant housing association” has the meaning given by Note (21) of Group 5 of Schedule 8 (zero-rating: construction of buildings etc.)(b).”.

*David Rutley
Craig Whittaker*

20th May 2019

Two of the Lords Commissioners of Her Majesty’s Treasury

(a) Note 6 to Group 3, Schedule 7A has been amended by section 47 of, and paragraphs 47 and 48 of Schedule 3 to, the Tax Credits Act 2002 (c. 21) (by virtue of S.I. 2003/962), S.I. 2013/601 and 2013/630 and S.I. 2015/2006 (N.I.1) (by virtue of S.R. 2016/46 (C. 2)).

(b) Note 21 of Group 5, Schedule 8 has been amended by S.I. 1997/50, 2010/486 and 2012/700.

EXPLANATORY NOTE

(This note is not part of the Order)

This Order amends Group 2 of Schedule 7A (charge at reduced rate: installation of energy-saving materials) to the Value Added Tax Act 1994 (c. 23).

It limits the scope of the reduced rate of VAT for energy saving materials following a decision of the European Court as a result of an infraction by the European Commission. It removes from the scope of the relief the installation of wind and water turbines. It also restricts the scope of the reduced rate to installations made in accordance with the UK's social policy or where the cost of the energy saving materials installed is not seen to be significant in the context of the overall cost of the installation thereby bringing UK law into line with EU law.

Article 3 substitutes new items 1 to 3 for items 1 and 2.

Article 4 inserts new Note A1 that provides for a restriction on item 3.

Article 5 removes wind turbines and water turbines from the list of qualifying energy-saving materials in Note 1.

Article 6 inserts new Notes 4 and 5. Note 4 provides a definition of “qualifying person” and Note 5 provides a definition of “relevant housing association”.

A Tax Information and Impact Note covering this instrument will be published on the website at <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>.

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