



# VAT Guidance on Energy Use

Energy suppliers typically apply the standard rate of VAT (20%) to your commercial energy bills, however, you may qualify for the reduced rate of VAT (5%) if you fall into one of the below categories:

- Residential accommodation
- Charitable non-business activities
- Small-scale use.

If less than 60% of the fuel and power usage qualify, you'll pay the reduced rate of VAT on the qualifying part and the standard rate (20%) on the rest.

## Residential accommodation

Supplies of fuel and power for domestic use are eligible for the reduced rate. Examples of allowed residential accommodation are:

- Armed Forces residential accommodation
- Caravans
- Children's homes
- Homes providing care for the elderly or disabled, people with a past or present dependence on alcohol or drugs or people with a past or present mental disorder
- Houseboats
- Houses, flats, or other dwellings
- Hospices
- Institutions that are the sole or main residence of at least 90% of their residents
- Monasteries, nunneries, and similar religious communities
- School and university residential accommodation for students or pupils
- Self-catering holiday accommodation.



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**The following are treated as part of the same residential unit:**

- Buildings such as garages used with houses
- Subsidiary buildings situated a short distance away, such as a garage in a block located away from a house
- Corridors, lifts, hallways, and stairways in a residential unit.

**The following are not considered residential accommodations for fuel and power:**

- Hospitals
- Prisons or similar establishments
- Hotels, inns or similar establishments.

## **Charitable non-business activities**

If a charity does not charge for its goods or services, its activities are generally considered non-business, and as such qualify for the reduced rate of VAT. Suppliers typically ask within their VAT declaration form for the details of how a charity generates income.

**Examples of non-business income include:**

- Grants
- Donations
- Voluntary contributions
- Delivery of a free service, or giving away goods.



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Some premises are used for a combination of non-business use and business use. In these instances, you will need to estimate the split between qualifying and non-qualifying use, for each meter. Your estimate must be 'fair and reasonable', and you must be able to demonstrate your calculations to HMRC (if asked). Charities can use their annual accounts to estimate the split between 'non-business' funding and 'business' income. If 60% or more of the fuel or power is for qualifying use, your supplier should treat the whole supply as for qualifying use and charge tax at the reduced rate.

## Small Scale Use (De-Minimus)

Supplies of certain small quantities of fuel and power are treated as being used for domestic use, even when the supply is to a business customer. This applies whether the bill is based on a meter reading or an estimate. Supplies within the limits should be taxed at a reduced rate. You do not need a certificate to apply the reduced rate to such supplies, if your usage is low enough, your supplier should automatically apply the VAT discount to your bill. The de-minimus rule applies to gas supplies of no more than 45 kWh per day (150 therms or 4,397 kWh per month) and for electricity supplies of no more than 33 kWh per day (1,000 kWh per month)

## How to claim VAT relief

To receive the reduced rate of VAT relief, you should provide your energy supplier with a written declaration confirming that you're eligible for the relief, along with evidence. Most suppliers have a specific declaration template they require you to complete. Utility Aid can help you with this. For further advice or guidance on how to claim the reduced VAT rate, contact your Utility Aid account manager or email [validationteam@utility-aid.co.uk](mailto:validationteam@utility-aid.co.uk).