



Department for
Business, Energy
& Industrial Strategy

Stephen Hammond MP
House of Commons
London
SW1A 0AA

Rt Hon Kwasi Kwarteng MP
Minister of State for Business and Energy

Department for Business, Energy &
Industrial Strategy
1 Victoria Street
London
SW1H 0ET

T +44 (0) 20 7215 5000
E enquiries@beis.gov.uk
W www.gov.uk

Our ref: MCB2019/13895

9th August 2019

Dear Stephen

Thank you for your letter of 28 June, to the Rt Hon Michael Gove MP, enclosing correspondence from your constituent, [REDACTED] regarding VAT on Solar Panels. Your letter has been passed to this Department and I am replying as this matter falls within my Ministerial portfolio. I apologise for the delay in response.

Please thank [REDACTED] for taking the time to write on this subject. Her Majesty's Revenue and Customs' (HMRC) consultation on proposals to revise this aspect of VAT policy (and subsequent legislation introduced to implement these proposals) are a response to the ruling of the EU Court of Justice (ECJ) that the scope of the UK's reduced rate for Energy Saving Materials (such as solar panels) was inconsistent with EU law. The UK is legally required to comply with the ECJ ruling or face daily fines.

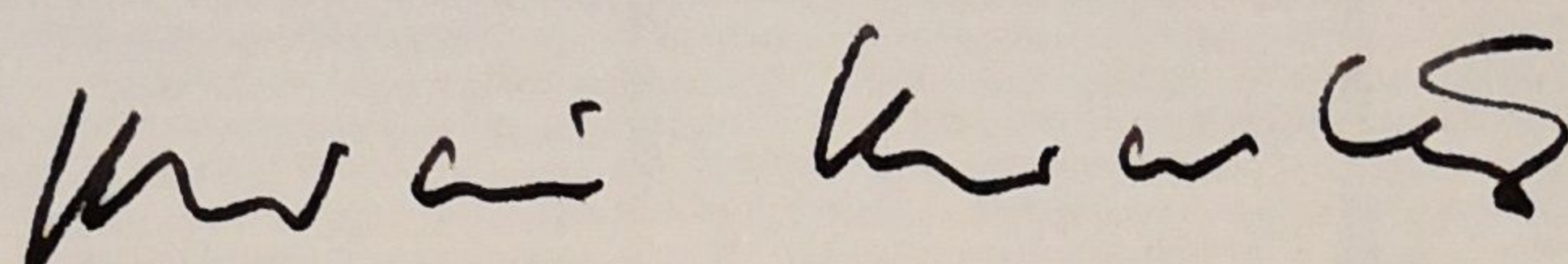
Irrespective of this, the UK Government was able to negotiate several important compromises with the ECJ. Solar installations will be unaffected where material costs make up less than 60% of total installation costs or where they are provided to certain customers. We understand that most domestic solar PV (photovoltaic) installations will fall below the 60% threshold.

For all energy saving materials, including solar plus storage packages, the reduced rate will still apply where the installation is provided to the over 60s, those receiving benefits, housing associations and certain other residential properties (including care homes), children's homes and student accommodation. Where this threshold is exceeded, the lower rate can still be claimed on the labour costs. The previous proposal from the Commission was to remove VAT relief on solar completely. In addition, VAT continues to be zero rated for installations in new build housing.

The Government will continue to keep all taxes and reliefs under review. In line with the Government's commitment to net zero UK carbon emissions by 2050, we are interested in exploring options for minimising and reducing the tax impact on measures that promote reductions in carbon emissions.

Thank you again for taking the time to write. I hope you [REDACTED] find this information useful.

Yours ever,

A handwritten signature in black ink, appearing to read 'Kwasi Kwarteng', with a stylized flourish at the end.

RT HON KWASI KWARTENG MP
Minister of State for Business and Energy