

# Joint statement on VAT and the Green Deal

This joint statement is supported by the following organisations:



## Joint statement on VAT and the Green Deal

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This joint statement is supported by a number of organisations with varied and diverse interests. We all firmly agree that a successful, environmentally friendly, economy relies on making significant improvements to the energy performance of existing buildings. This in turn requires the use of all reasonable incentives to maximise the energy efficiency of our building stock. It also requires a consistent approach to the taxation of materials and labour employed in the greening of our buildings.

At present, the reduced rate of 5% VAT applies to the professional installation of certain energy saving materials and micro generation systems. However, this excludes some obvious energy saving options, including energy efficient boilers and low emissivity glass, likely to be included as measures funded under the Green Deal. This variable rate of VAT applicable to Green Deal measures will create a perverse incentive, as will the 5% rate of VAT on energy use while steps to cut energy bills often attract the 20% rate.

In just over a year from now the Government intends to launch the Green Deal as a market-led scheme to improve the energy efficiency of Britain's homes and businesses. The Green Deal has the potential to play a central role in the transition to a green economy by cutting carbon, protecting households from increasing energy costs and creating new jobs.

**The Government must prepare for the Green Deal by stimulating further demand in the energy saving market. Without an additional package of incentives few owners and occupiers are likely to take action to improve the energy efficiency of their buildings, even if the upfront costs are met by Green Deal finance. Therefore, we urge MPs from all parties to ask the Government to levy VAT at a rate of 5% for all Green Deal approved measures.**

Recent trials that will provide useful insights for the Green Deal have already started to prove that a financially compelling package is needed for people to take action. A consistent rate of VAT is a logical step to make energy efficiency measures more affordable and Green Deal packages more attractive. Reducing VAT to support the Green Deal also addresses some of the complexities that risk affecting the Green Deal's success.

The Government has rightly suggested the Green Deal should adopt a 'whole house' approach to improving energy efficiency as installing some measures will not have the benefit intended if the heat energy is lost elsewhere. Therefore, all households should be entitled to the same rate of VAT for their complete Green Deal package. A 5% rate of VAT for Green Deal approved measures will also make it easier to meet the Golden Rule, which requires the expected energy bill savings to be equal to or greater than the cost of repayment for the package of measures.

Whether or not the Government's ambition for the Green Deal to create tens of thousands of new jobs in the green economy will ever be realised depends entirely on the level of consumer take up. Businesses are already preparing to play their part, but the Government must take advantage of this opportunity to help deliver an energy efficiency revolution. With little more than a year to go before the energy saving market has to expand fast and wide, please help us to persuade the Government to respond to our call for action.