
STATUTORY INSTRUMENTS

2024 No. 24

VALUE ADDED TAX

The Value Added Tax (Installation of Energy-Saving Materials) Order 2024

<i>Made</i>	- - - -	<i>10th January 2024</i>
<i>Laid before the House of Commons</i>	- - - -	<i>11th January 2024</i>
<i>Coming into force</i>	- -	<i>1st February 2024</i>

The Treasury make this Order in exercise of the powers conferred by sections 29A(3), 30(4) and 96(9) of the Value Added Tax Act 1994⁽¹⁾.

Citation and commencement

1.—(1) This Order may be cited as the Value Added Tax (Installation of Energy-Saving Materials) Order 2024.

(2) This Order comes into force on 1st February 2024.

Installation of energy-saving materials from 1st April 2027

2.—(1) In Schedule 7A to the Value Added Tax Act 1994 (charge at reduced rate)⁽²⁾, in Part 2, Group 2 (installation of energy-saving materials from 1st April 2027)⁽³⁾ is amended as follows.

(2) In items 1 and 2, for “residential accommodation.” substitute “—

“(a) residential accommodation, or

(b) a building intended for use solely for a relevant charitable purpose.”.

(3) In paragraph 1 of the notes (meaning of “energy-saving materials”)—

(a) the existing text becomes sub-paragraph (1);

(b) after sub-paragraph (1)(i) insert—

“(ia) water source heat pumps;”;

(c) after sub-paragraph (1)(k) insert—

(1) 1994 c. 23. Section 29A was inserted by section 99(4) of the Finance Act 2001 (c. 9); section 96(9) was amended by paragraph 5 of Schedule 31 to that Act.

(2) Schedule 7A was inserted by section 99(5) of, and paragraph 1 of Schedule 31 to, the Finance Act 2001.

(3) Group 2 was amended by section 193 of the Finance Act 2013 (c. 29) and by the following amending instruments: S.I. 2004/777; 2005/726; 2005/3329; 2019/958; 2022/361 and 2023/376.

- “(l) electrical storage batteries within [sub-paragraph \(2\)](#);
- (m) smart diverters.”;
- (d) after sub-paragraph (1) insert—
 - “(2) An electrical storage battery is within this sub-paragraph if it is intended for use solely for storing energy converted from electricity that was—
 - (a) supplied to the residential accommodation or building in question, or
 - (b) generated by a microgeneration system.
 - (3) In sub-paragraph (2), “supplied” is to be construed in accordance with Part 1 of the Electricity Act 1989(4) (see section 64(1) of that Act).
 - (4) In sub-paragraph (1)(m), “smart diverter” means a device capable of automatically diverting electricity generated by a microgeneration system to one or more appliances, in particular circumstances.
 - (5) In sub-paragraphs (2) and (4), “microgeneration system” means equipment—
 - (a) that generates electricity, and
 - (b) that is itself an energy-saving material for the purposes of this Group.”.
- (4) After paragraph 1 of the notes, insert—

“Installation of heat pumps

1A. For the purposes of item 1, “installing energy-saving materials” includes carrying out groundworks, or dredging a body of water, in order to install pipework or other equipment necessary for the operation of a ground source heat pump or a water source heat pump.”.

- (5) After paragraph 2 of the notes, insert—

“Meaning of “use for a relevant charitable purpose”

3. For the purposes of this Group a building is used “for a relevant charitable purpose” if it is used by a charity—

- (a) otherwise than in the course or furtherance of a business, or
- (b) as a village hall or similarly in providing social or recreational facilities for a local community.”.

Installation of energy-saving materials before 31st March 2027

3.—(1) In Schedule 8 to the Value Added Tax Act 1994 (zero-rating), in Part 2, Group 23 (installation of energy-saving materials before 31st March 2027)(5) is amended as follows.

- (2) In items 1 and 2, for “residential accommodation.” substitute “—
 - (a) residential accommodation, or
 - (b) a building intended for use solely for a relevant charitable purpose.”.
- (3) In paragraph 1 of the notes (meaning of “energy-saving materials”)—
 - (a) the existing text becomes sub-paragraph (1);

(4) [1989 c. 29](#). Relevant amendments have been made by section 28 of, and Schedule 8 to, the Utilities Act 2000 ([c. 27](#)), sections 89, 135, 145 and 179 of the Energy Act 2004 ([c. 20](#)), section 147 of the Energy Act 2013 ([c. 32](#)) and section 213 of the Energy Act 2023 ([c. 52](#)). There are further amendments by the Energy Act 2023 that are not yet in force. [S.I. 2012/2400](#) also made relevant amendments.

(5) Group 23 of Part 2 of Schedule 8 was inserted by [S.I. 2022/361](#) and amended by [S.I. 2023/376](#).

- (b) after sub-paragraph (1)(i) insert—
 - “(ia) water source heat pumps;”;
 - (c) after sub-paragraph (1)(k) insert—
 - “(l) electrical storage batteries within sub-paragraph (2);
 - (m) smart diverters.”;
 - (d) after sub-paragraph (1) insert—
 - “(2) An electrical storage battery is within this sub-paragraph if it is intended for use solely for storing energy converted from electricity that was—
 - (a) supplied to the residential accommodation or building in question, or
 - (b) generated by a microgeneration system.
 - (3) In sub-paragraph (2), “supplied” is to be construed in accordance with Part 1 of the Electricity Act 1989 (see section 64(1) of that Act).
 - (4) In sub-paragraph (1)(m), “smart diverter” means a device capable of automatically diverting electricity generated by a microgeneration system to one or more appliances, in particular circumstances.
 - (5) In sub-paragraphs (2) and (4), “microgeneration system” means equipment—
 - (a) that generates electricity, and
 - (b) that is itself an energy-saving material for the purposes of this Group.”.
- (4) After paragraph 3 of the notes, insert—

“Installation of heat pumps

4. For the purposes of item 1, “installing energy-saving materials” includes carrying out groundworks, or dredging a body of water, in order to install pipework or other equipment necessary for the operation of a ground source heat pump or a water source heat pump.

Meaning of “use for a relevant charitable purpose”

5. For the purposes of this Group a building is used “for a relevant charitable purpose” if it is used by a charity—

- (a) otherwise than in the course or furtherance of a business, or
- (b) as a village hall or similarly in providing social or recreational facilities for a local community.”.

10th January 2024

Joy Morrissey
Amanda Milling
Two of the Lords Commissioners of His
Majesty's Treasury

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

EXPLANATORY NOTE

(This note is not part of the Order)

This Order amends the Value Added Tax Act 1994 (c. 23) (“VATA”) to widen the scope of the temporary zero-rate of value added tax (“VAT”) (which applies from 1st April 2022 to 31st March 2027 in England and Wales and Scotland, and from 1st May 2023 to 31st March 2027 in Northern Ireland) and reduced rate (which applies from 1st April 2027) for the supply of installation of energy-saving materials.

Article 2 amends Group 2 in Schedule 7A (charge at reduced rate) of VATA to extend the reduced VAT rate that applies from 1st April 2027 to the installation of energy-saving materials into buildings used solely for a charitable purpose, and broadens the meaning of “installing energy-saving materials” to include necessary preparatory work undertaken for the installation of ground source and water source heat pumps. This article also adds water source heat pumps, certain electrical batteries, and certain smart diverters to the list of energy-saving materials that can qualify for the reduced rate of VAT.

Article 3 amends Group 23 in Schedule 8 (zero-rating) to widen the temporary zero-rate for the installation of energy-saving materials to the same items introduced into Group 2 of Schedule 7A by Article 2. This rate will apply from 1st February 2024 to 31st March 2027.

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