

BESA welcomes Chancellor's green tax reforms

3 years ago



The Building Engineering Services Association (BESA) has praised Chancellor Rishi Sunak for putting energy and carbon reduction at the heart of his Spring Statement.

The Association particularly welcomed Sunak's decision to bring forward business rate relief on plant and machinery used in onsite renewable energy generation and storage by a year and to provide 100% tax relief on eligible low carbon heat networks.

These initiatives will be a significant boost to the UK's plans for decarbonising buildings and could save businesses more than £200m while helping the UK achieve its net zero ambitions, according to BESA.

The Chancellor's decision to abolish VAT on the installation of domestic energy saving measures, including insulation, solar panels, and heat pumps, for five years from April 1 was also warmly welcomed. The Association said this would help to drive uptake of carbon reducing technologies and cut energy bills for millions of households.

The Chancellor has cut VAT on heat pump installations from 5% to zero and considerably simplified the rules about which types of heat pump qualify. Previously, those used for cooling were not eligible for the reduced tax rate, but the only rule that applies now is that the installation must be capable of heating the home.

"The cut in VAT is a welcome incentive for business and domestic users, but equally helpful is the simplification of what had been unnecessarily complex tax rules around heat pumps," said BESA's head of technical Graeme Fox.

Confused

"Previously, air source heat pumps of the split air conditioning type had been specifically ruled out from the reduced VAT scheme," he explained. "This rule was amended last year, but people were still confused. So, following lengthy talks between the BESA and HMRC, the guidance has been updated to clarify that air source reverse cycle heat pump air conditioners can be treated in the same way as monobloc heat pumps for VAT purposes."

Sunak said Brexit had given him the freedom to be more radical with tax policy.

"Thanks to Brexit, we are no longer constrained by EU law," the Chancellor said. "So, I can announce that for the next five years, homeowners having materials like solar panels, heat pumps or insulation installed will no longer pay 5% VAT. They will pay zero.

"We will also reverse the EU's decision to take wind and water turbines out of scope and zero rate them as well. And we will abolish all the red tape imposed on us by the EU."

The Chancellor is also doubling the size of the Household Support Fund to £1bn, which he said could be used by local authorities to provide more financial support to fuel poor households.

BESA said it was now looking forward to the publication of the government's Energy Security Strategy, expected next week, which should further underpin plans for making buildings more energy efficient.

"Retrofitting millions of homes and thousands of commercial buildings will be essential to cut carbon emissions and improve our energy security," said Fox. "These progressive tax moves are a good start towards a more ambitious national programme that will be needed to tackle lifecycle carbon emissions and set us properly on the path to net zero."

He also urged the government to consult with the industries directly involved in the decarbonisation of heat, such as building services, to fully understand the implications of its policy proposals not least on the need for investment in training and skills.

"The new incentives will increase demand for competent companies and skilled individuals able to work with these technologies to ensure installations achieve their maximum potential," said Fox.

"We must, therefore, work together to develop a national training programme for low carbon heating to ensure we have the skills to deliver solutions on a scale that can both help tackle climate change and give consumers protection from rising bills."