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Small businesses to benefit from Burnham's electricity VAT relief, say VAT experts

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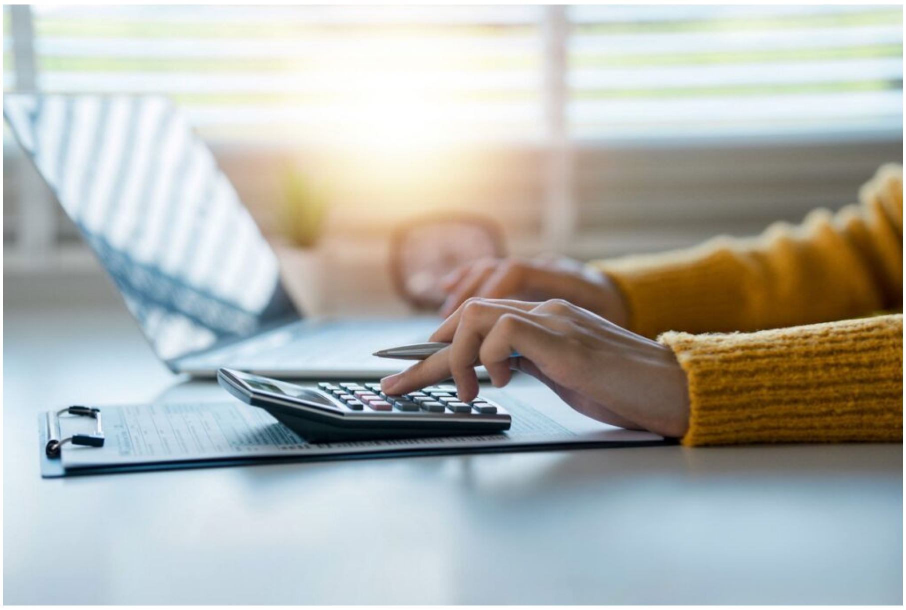

VAT Partner Greg Mayne of leading accountancy firm Price Bailey predicts possible further short-term tax measures as Government targets cost-of-living pressures

The temporary VAT relief on electricity supplies, announced this week, will apply across Great Britain from October 2026 until March 2027 and applies to electricity supplies for "qualifying use", generally defined as supplies of no more than an average of 33 kilowatt hours per day or 1,000 kilowatt hours per month. While the relief is primarily aimed at domestic consumers, Price Bailey has advised that there is currently nothing in the government's announcement to suggest that businesses are restricted from accessing the relief, provided they satisfy the relevant VAT conditions.

The VAT reduction will not apply in Northern Ireland, which remains subject to separate VAT arrangements, linked to European tax legislation.

The move comes as a House of Commons Library research briefing released in May 2026 highlighted that UK electricity prices were higher than all but one EU state (Germany) in the first half of 2025.

Greg Mayne, VAT Partner at Price Bailey, comments: "As the UK has left the EU, it is no longer bound by European tax legislation, so with the exception of Northern Ireland, it has the greater flexibility to create new tax rates such as the new zero-rate for domestic electricity charges.

"As Mr Burnham has stated that his leadership will be of a *'cost of living government'*, there may be further short-term tax changes like this. These may be newly-introduced changes, or extensions of existing ones such as the “Great British Summer Saving” VAT reduction on children’s meals and days out, or the zero-rate applying to installed energy-saving materials such as solar panels, both of which – like the new electricity announcement – currently have limited time periods

“While this announcement will provide welcome support for many households over the winter months, it also demonstrates the Government’s willingness to use targeted tax interventions to address cost-of-living pressures. Businesses and consumers should therefore continue to monitor policy developments as further short-term measures may emerge.”