

Royal Institute of British Architects

HM Revenue & Customs: VAT energy saving materials relief – improving energy efficiency and reducing carbon emissions May 2023

The Royal Institute of British Architects is a global professional membership body driving excellence in architecture. We serve our members and society in order to deliver better buildings and places, stronger communities and a sustainable environment. Being inclusive, ethical, environmentally aware and collaborative underpins all that we do.

The Royal Institute of British Architects (RIBA) welcomes the opportunity to respond to HM Revenue & Customs' call for evidence on Value Added Tax (VAT) energy saving materials (ESMs) relief. To reach our net zero targets exploring appropriate mechanisms to improve energy efficiency, including widening the scope of VAT relief for ESMs, will be key.

RIBA supports proposals to widen VAT relief for new technologies that encourage, incentivise and support improving energy efficiency. The UK's housing stock remains the least efficient in Europe and we must harness a range of different policy levers to address this, including increasing the number of qualifying technologies that attract VAT relief where appropriate. Targeted VAT relief can help support homeowners and landlords to make energy efficiency improvements in their properties.

VAT relief for battery storage

The RIBA believes that when retrofitted to a solar panel or other ESMs, battery storage systems can be a cost-effective and helpful way to reduce carbon emissions. We support their inclusion as a qualifying material for zero-rated VAT relief. It is important that occupants can financially benefit from the power that is being generated from their solar panels, and battery storage helps to facilitate this. Currently, you do not pay VAT on battery storage when it is installed at the same time as solar panels; yet VAT still applies if retrofitted later. Bringing more ESMs into the VAT relief would help provide clarity for consumers looking to improve the energy efficiency of their homes.

Standalone battery storage should also benefit from VAT relief. The installation of battery storage supports the reduction of carbon emissions in homes. The technology, while not a panacea for improving energy efficiency, has a demand side response. In practice, this means that stored electricity can help to offer balance when there are surges in demand on the grid.

Battery storage technology is going to become increasingly important as the UK decarbonises and there is an opportunity for the Government to maximise its potential. As battery storage systems are able to store excess renewable energy e.g., wind and solar, scaling up its use can help to embed resilience within the UK's electricity system.



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Further considerations

VAT relief must be clearly defined to avoid creating a grey area around what types of batteries or battery storage systems are included. In addition, the Government must monitor the VAT regime for ESMs to ensure it is improving energy efficiency and does not become open to misuse, which could cost the Government.