

## Briefing for hall committees

We want to hear from management committees of village halls in relation to a government call for evidence about VAT relief on Energy Saving Materials (ESMs).

### What are Energy Saving Materials (ESMs)?

Energy Saving Materials (ESMs) is a term used to describe installations in buildings which promote energy saving and reduce demand for energy derived from fossil fuels. Installations currently defined as ESMs include insulation, central heating and hot water system controls, solar panels, wind and water turbines, ground and air source heat pumps, micro combined heat and power units, and wood-fuelled boilers.

### What are the current rules on ESMs?

Prior to August 2013, UK legislation provided a VAT relief (at a rate of 5%) for the installation of ESMs in buildings intended for use solely for a relevant charitable purpose.

A relevant charitable purpose means, use by a charity otherwise than in the course or furtherance of business.

Discussions with the European Commission subsequently identified that the UK's application of ESM relief to charitable buildings was not compatible with EU law, and the relief was subsequently narrowed to exclude them. Since 2013, the relief has only applied to installations of qualifying materials in residential and domestic accommodation.

Village hall committees aiming to improve the energy efficiency of their building need to raise funds for making energy saving improvements, including VAT payable. As many halls are not VAT registered, they cannot reclaim this cost.

### What is the government's call for evidence and what changes are being considered?

The government's [call for evidence](#) asks whether there are additional technologies that should be considered for inclusion within the current list of ESMs, and if the previous relief for buildings solely used for a charitable purpose should be reinstated. As the UK has left the EU, the government can consider reinstating this relief.

### ACRE's position on ESMs

We believe community buildings have an important part to play in the transition to Net Zero and can provide a good example in their community by encouraging residents to follow suit. VAT relief on energy saving improvements can help with this.

ACRE, supported by the Charity Tax Group (CTG), previously made a case in 2013 for keeping the VAT relief, but the EU did not accept village and community halls should remain eligible for it.

In 2022, the Chancellor announced that tax on ESMs would be reduced to 0% until 2027. But because this only applied to residential and domestic accommodation, village halls missed out on this further incentive.

With this current call for evidence, there is new opportunity to get VAT relief reinstated for buildings such as village halls used for a relevant charitable purpose.

**What can village halls do to influence the government's call for evidence and potential decision on ESMs?**

- We would like management committees of village halls to complete a short survey form to tell us whether they have undertaken or are planning any work involving ESMs that would be impacted by VAT relief. Our survey can be accessed via [this link](#) and completed until Monday 22 May. The information captured will provide us with an indication of the cost savings that may be achieved by reinstating VAT relief. This will inform our response to government.
  
- We also encourage committees to respond to the government's call for evidence directly. Your committee will need to write a response explaining the impact of paying VAT i.e. a small community, lots of fundraising, grant monies being used to pay VAT etc. Responses should be sent to the VAT Reliefs Team by 31 May 2023 [by email](#), or by post to:

HM Revenue and Customs  
VAT Reliefs Team  
B7.25  
7th Floor  
14 Westfield Avenue  
Stratford  
London  
E20 1HZ