

VAT relief on Energy Saving Materials

May 2023

Summary

ACRE believes VAT relief on Energy Saving Materials (ESMs) should be reinstated where these are to be installed in buildings used for charitable purposes. This will encourage and enable many of England's 10,000+ village halls to make energy improvements to their buildings and in turn create a network of rural institutions that promise to be vanguards of Net Zero in their communities.

This briefing outlines our response to the government's [call for evidence](#) on the issue, drawing on information supplied to us by village halls, as well as our experience of supporting the volunteer management committees who run these buildings.

Introduction

In 2013, VAT relief on the installation of ESMs in buildings used for charitable purposes was withdrawn due to a European Court ruling which concluded the subsidy was not compatible with EU law. This has meant that community buildings including England's 10,000+ village halls which are not VAT registered have had to pay the full rate of tax on improvements such as 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.

This briefing is ACRE's response to the government's call for evidence on reinstating VAT relief on ESMs, specifically Section 4, Questions 14-17. Our response to the prescribed questions is offered below. Evidence is drawn from information submitted to us by 135 village halls in relation to this consultation, previous research, and our extensive experience of operating a nation-wide information and advice service for the volunteer management committees who run these buildings.

What we know

Question 14: Do you think the relief for the installation of ESMs in a building intended for use solely for a relevant charitable purpose should be reinstated? And if so, why?

Yes. We strongly support the proposed reinstatement of VAT relief for the installation of ESMs in buildings used for a charitable purpose as this has the potential to encourage and enable many of England's 10,000+ village halls to make energy improvements to their buildings and in turn create a network of rural institutions that promise to be vanguards of Net Zero in their communities.

We are concerned however that the wording of the proposed criteria, i.e. "intended for use solely for a relevant charitable purpose" could unintentionally exclude these same rural community buildings. Whilst village halls are run as charities for the benefit of their local community, they often provide space for commercial activities such as hiring out space to local businesses and social enterprises; pre-schools and

after-school clubs, exercise classes and touring arts groups, to name but a few. These activities often have an intrinsic benefit to residents who may be unable to access similar opportunities elsewhere due to rurality and the revenue generated helps sustain the venue for the community and cross subsidise other charitable activities.

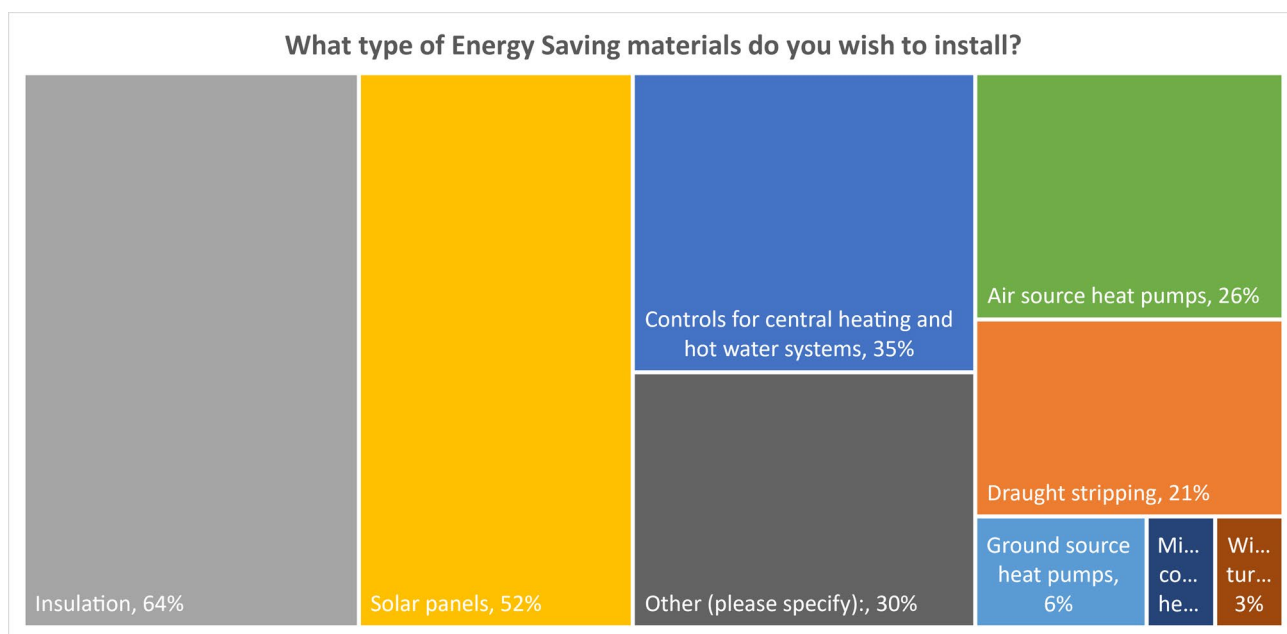
We note that the construction of new halls is specifically mentioned in Group 5, Schedule 8 of the 1994 VAT Act as eligible for 0% VAT. By reference to that Act, a suitable definition should be extended which ensures village halls benefit from this relief. ACRE offers it knowledge and expertise in this area.

Question 15: As a charity are you considering installing ESMs in your buildings? If yes, what ESMs are you considering installing?

ACRE conducted a survey of village halls in relation to this call for evidence and received 135 responses. Of these halls, 46 provided information about ESM work that has already been undertaken, and another 86 detailed ESM work they were hoping to undertake.

Costs of such work ranged from £200 to £265,000 per hall, the average being £30,891 (of which £6,178 would be VAT).

The chart below shows that of those halls planning future work involving ESMs, improving insulation and installing solar panels appear to be the most sought-after improvements followed by controls for central heating and hot water systems.



Question 16: To what extent do you think that charities would benefit from the reinstatement of this relief?

From the 135 village halls that got in touch with us in relation to this call for evidence, and drawing on our own experience, it is clear that reinstating VAT relief would make a significant difference in terms of whether rural community buildings decide whether or not to make energy saving improvements, and the extent of the work they can afford.

Village halls are run and managed by volunteers who have responsibility for the land and building as trustees. Hall income is made up from hire charges and fundraising. Capital projects such as renovations and

building improvements are mainly supported by grant funding as regular income is used to cover day-to-day running costs and general maintenance.

Several common reasons were offered up by village halls in our survey to explain why the reinstatement of VAT relief would help them.

The most frequently made comment (*n* 57) was that relief from paying VAT would make it much easier and quicker to raise funds to bring about energy saving improvements.

“It would make the costs more affordable and allow us to speed up works. We need to improve lighting, double glazing and other minor insulative works - none of which we can currently afford. Removing the 20% tax would speed up the installations because we will have less money to raise” (ID: 215933618)

“£1800 VAT relief on our energy efficiency project could be equal to 3 years or more worth of fund raising we would need to do.” (ID: 216862746)

Others (*n* 34) pointed out that the saving made would allow them to install more or better improvements.

“It would make introducing the full range of energy efficient changes affordable - currently, we can only afford to introduce changes in a piecemeal fashion - which is not providing the benefits we seek.” (ID: 216482353)

“By reducing the amount of VAT payable we would be able to widen the scope of the energy saving materials used at the hall, i.e. replacing old double glazing, replacing draughty doors, purchasing new thicker curtains. All of these items would reduce the energy used to heat the hall.” (ID: 217124044)

Perhaps most important to this call for evidence are comments made (24) that suggest that removing the VAT burden would make the difference between village halls going ahead with any energy saving works or not.

“If the installation of solar panels was zero rated for VAT then we would be more likely to install panels. Having to raise an additional £3k to fund the VAT is a significant cost to a small rural village hall. This is about a third of our normal operational income.” (ID: 216062408)

“It would make a significant difference as we do not have the funds to do the work yet and are heavily dependent upon grants which are few and far between. Saving VAT gets us closer to our goal. Plus, the energy saving measures will save us annual expenditure which will be able to be reinvested into our community asset.” (ID: 216102696)

“Simple, it would reduce the overall costs and provide an incentive to commit to such projects. 20% VAT has always been a “bitter pill to swallow” for community-based charities such as ours seeking to improve our hall for the community and environment.”

Question 17: What are the advantages and disadvantages of reinstating the relief?

Bringing village halls into the definition of eligibility for VAT relief is advantageous to those committees planning to carry out energy efficiency work as it will save hard earned funds.

In addition, the community will benefit from a warm space where they can meet, in turn supporting health and wellbeing in rural communities.

Government has zero rated VAT for the next five years on installation of energy saving materials in domestic and residential homes to try and tackle the UK energy efficiency problem therefore it makes good sense for parity to be afforded to village halls. Confusion amongst suppliers and contractors on the eligibility of village and community halls for the scheme would also be removed.

It will also assist Government in tackling the UK energy efficiency problem and achieving its Net Zero targets as these buildings can act as vanguards for introducing greener technology and behaviours in their community. Our recent [case study](#) featuring Kirtlington Village Hall in Oxfordshire is a good example of how this can happen.

About ACRE

ACRE (Action with Communities in Rural England) is a national charity speaking up for and supporting rural communities.

We are the national body of the [ACRE Network](#), England's largest rural grouping of community support charities which together reach over 35,000 community groups annually, and lever in over £34 million each year in support of initiatives that equip people with the knowledge, skills, and connections needed to improve their local community.

ACRE delivers the national information and advice service for 10,000 village halls across rural England through its 38 ACRE members and co-ordinates the National Village and Community Hall Network.

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