

HMRC Guidance Information relating to Insulation and VAT

Summary

In summary HM Revenue and Customs will allow installation of insulation sold by Natural Deco (sheep wool, hemp or cotton) to be taxed at a reduced VAT rate of 5% but only where this insulation is installed by Smith Bros.

Where Insulation is sold for 3rd party or buyer installation VAT must be charged at the standard rate of 17.5%.

This is defined by the following HMRC reference document from which extracts have been taken:

Extracts from HMRC Reference: Notice 708/6

(Download full document from :

http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?_nfpb=true&_pageLabel=pageVAT_ShowContent&id=HMCE_CL_000514&propertyType=document)

2. INSTALLATIONS OF ENERGY-SAVING MATERIALS

2.1 What installations are reduced-rated [currently 5%]?

The reduced rate applies to the installation of certain specified energy-saving materials in:

- residential accommodation ; or
- a building used solely for a relevant charitable purpose.

The reduced rate applies whether or not the installation is grant-funded and includes the price of the goods themselves.

If you supply energy-saving materials without installing them your supply is standard-rated.

2.2 Installation

Installation, in this context, means putting in place energy-saving materials.

This involves some process by which materials are permanently fixed in place, although loft insulation may simply need to be unrolled and positioned in place to be installed.

2.3 Incidental work

Any work that you undertake as part of the installation process is eligible for the reduced rate.

This includes minor building works, such as planing doors or windows, enlarging loft hatches, and painting or plastering to make good.

But if the installation of energy-saving materials is incidental to another supply you are making - such as the building of an extension or the replacement of a roof - you are making a single supply of construction services...

2.8 Insulation

Insulation means materials that are designed and installed because of their insulating qualities.

The reduced rate applies to installations of insulation for:

- walls;
- floors;
- ceilings;
- roofs or lofts; and
- water tanks, pipes or other plumbing fittings.

The reduced rate does not apply to essentially decorative products such as curtains and carpets.

Contact Information

Smith Bros – Natural Deco

Castle St, Tipton, West Midlands, UK. DY4 8HP Tel: 0121 557 0077 Fax: 0121 557 0177