

Dealing with VAT on fuel and power



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Introduction

Supplies of fuel and power are liable to VAT at 5% or 20% or both.

Fuel for Domestic use	Reduced rate	5 per cent
Fuel for Charitable non-business	Reduced rate	5 per cent
Fuel for any other purpose including "business use"	Standard rate	20 per cent

The "reduced rate" will always apply to fuel and power supplies which are below certain "de minimis" limits.

Where the fuel and power supplied is put to a mixed use, as it is in many village halls, an apportionment should be made and notified to the supplier (see Section 1).

HOWEVER, if at least 60% of the fuel and power is for a qualifying use, then the whole supply can be treated as qualifying and be taxed at the "reduced rate".

The "reduced rate" will always apply to fuel and power supplies which are below certain "de minimis" limits. This means the entire supply is treated as being for domestic use (see paragraphs 3.1 and 4.2).



1 Why is “business” and “non-business” activity relevant?

Halls that always have supplies of fuel below the limits given in paragraph 3.1 and 4.2 will not need to worry about how much of their use is business and non-business, because they will automatically be charged VAT at the reduced rate however much use is business. This is ‘fuel for domestic use’ and is always charged at 5%.

- 1.1 Charities whose fuel is used “otherwise than in the course or furtherance of a business” for at least 60% of its actual use, can receive all their fuel of power supplies at the reduced VAT rate (5%). If the non-business use of a village hall is below 60% of total usage that proportion of the supply which is for non-business use can be supplied at the reduced rate e.g. if 45% of use is non-business, then 45% is charged at 5% and 55% is charged at 20%.
- 1.2 This begs the question of what is business and non-business activity and it seems likely that many village halls will have both. Please see VAT Notice 701/1 entitled “How VAT affects Charities.” This states in paragraph 5.11 that “The hiring out of a building is normally a business activity.” However, this does not cover the full range of village hall use.
- 1.3 In the case of charitable village halls, the following use is non-business activity:
 - a) Use for which no charge is made.
 - b) Use for which the only income is a non-business grant (e.g. a day centre for the elderly funded by Social Services).
 - c) Use for which no charge is made but a voluntary donation is received (e.g. if the Flower Show committee make a donation instead of paying a hire charge).
 - d) The provision of welfare services to all distressed people for the relief of their distress, and if provided consistently below cost, i.e. at least 15% (this includes services for the elderly, infirm, handicapped people, the chronically sick and the poor).

In addition the fuel used in a resident caretaker’s accommodation will be for domestic use and supplied at a reduced rate.

- 1.4 The following use is business activity:
 - a) Hiring for private events or commercial use.
 - b) Fund-raising activities in a village hall where goods or services are given in return for payment, such as admission fee, catering, and jumble sale.

Fuel used in a resident caretaker’s accommodation will be for domestic use and supplied at a reduced rate.

- c) Use for which rent is payable under a lease or occupation licence (but parts used for domestic accommodation are always entitled to receive reduced rate fuel and power).
- d) Other hiring for which payment is compulsory.

To underline item (a) above; hall hirings are considered to be business activity. This means that the organisation operating the hall cannot benefit from the 5% reduced rate, unless the 60% proportion (1.1 above) applies, or unless the amount of fuel used brings the hall within the 'domestic' definition (3.1 below applies).

- 1.5 The proportion of business/non-business use should be calculated by reference to the actual hours that the hall is in use. The village hall will need to notify this to the utility provider. If you change utility provider, then be sure to notify the new provider. If there is a significant change in the proportion of business/non-business use the fuel supplier should be informed so that the correct apportionment can be made for future deliveries and bills.
- 1.6 Utility providers generally have a procedure for applying for the reduced rate as a non-domestic customer. Complete the appropriate form accurately, especially if you are applying an apportionment.

2 Making back-dated claims

Different suppliers operate slightly different policies when it comes to back-dating VAT.

Where you have been over-charged VAT by a provider you are entitled to seek a refund. VAT Law allows an adjustment, on the provider's VAT Return, to be made up to four years after the original invoice date. However, providers do operate their own policies on back-dating.

Utility Aid, one of ACRE's corporate sponsors, has provided the following information regarding back-dating policies of different suppliers.

Supplier	Current backdate policy
SSE	Will back-date 4 years
Opus	Will back-date where a charity number is provided
Regent	Will back-date
Corona	No longer back-date
Gazprom	Back-date on a case-by-case basis

Where you have been over-charged VAT by a provider you are entitled to seek a refund

Ecotricity	Will back-date
EDF	Will back-date
EON	Will back-date
Drax	Will back-date
British Gas	Will back-date 1 year

Unfortunately, there is no mechanism to revert to HMRC to claim VAT which has been overcharged.

3 Halls heated by oil, liquid petroleum gas or solid fuel

3.1 VAT automatically applies at the reduced rate to fuel supplies of not more than the following amounts:

- a) Coke or coal - one tonne (which must be held out for sale as domestic fuel).
- b) Liquid Petroleum Gas (cylinders) - cylinders weighing less than 50 kg each: either any number not intended for resale or up to 20 cylinders intended for any purpose.
- c) Liquid Petroleum Gas (bulk) - a delivery to premises with a storage capacity not exceeding 2 tonnes.
- d) Fuel oil, gas oil or kerosene - 2300 litres.
- e) Wood, peat or charcoal - any amount (not intended for resale).

This is defined as 'fuel for domestic' use, even where it is used in a village hall.

3.2 VAT will apply at standard rate (20%) to the whole supply if it exceeds these levels unless the village hall committee declares to the supplier that part or all of the use of the fuel for the charity's non-business purposes, or for domestic use, in which case the provisions of para 1.1 will apply.

3.3 It may well be possible for village hall committees to minimise payment of VAT on the above types of fuel by arranging for genuinely separate supplies to be made in not more than the above quantities, and in the case of liquid petroleum gas, using cylinders or bulk storage tanks not exceeding the above capacities. If this is the case it should not be necessary for the committee to declare to the supplier

what proportion of its use is for business/non-business purposes or domestic use. However, the fuel supplier may need to know the level of business/non-business or domestic use.

3.4 See Section 6 of **VAT Notice 701/19 on Fuel and Power** for examples.

4 Halls heated by electricity or mains gas

4.1 Committees will be asked by electricity and gas companies to declare how much of their use is for business/non-business and domestic purposes (see Section 1). Most companies issue standard forms for this purpose.

4.2 VAT automatically applies at the reduced rate to fuel supplies of not more than the following amounts:

- a) Piped Gas - at a rate of 150 therms per month or 4,397 kwh hrs/mth.
- b) Electricity - at a rate of 1,000 kw hours a month.

4.3 VAT will apply at a standard rate to the whole supply if it exceeds these levels unless the committee has declared to the utility provider that all of the use of the fuel is for non-business activities or domestic use.

4.4 The VAT rating of supplies of electricity and gas will be calculated on a daily basis (5 therms for piped gas and 33kw hours for electricity) over the period covered by a bill.

For example: a village hall that receives a bill for a period of 33 days will receive its supply at reduced rate if the total fuel supplied does not exceed 165 therms of gas or 1089kw hours of electricity.

Some halls may find that VAT is charged at standard rate in winter but not in summer because average daily consumption over the summer quarter is below the “de minimis” limits.

4.5. Where electricity or gas heating is by coin-operated meter, the VAT rules above will still apply.

Some halls may find that VAT is charged at standard rate in winter but not in summer because average daily consumption over the summer quarter is below the “de minimis” limits.

5 Halls registered for VAT

Committees registered for VAT will be able to recover VAT either in part or entirely. See **Information Sheet 6, Village halls and VAT registration**.

6 Halls run or funded by parish councils

Parish councils running halls as sole trustees of a charity may be able to reclaim VAT on fuel supplies. The de minimis levels given in paragraph 3.1 and 4.2 and the question of whether use is business or non-business will also apply. However, the council should also consult VAT Notice 749 to understand the rules affecting parish councils more generally.

7 Supplies of fuel during the pandemic

Many village halls had their activities restricted during the pandemic (2020 – 2022). Such ‘non-use’ does not automatically allow village halls to be eligible for the reduced rate. However, if the amount of fuel used dipped below the ‘domestic use’ thresholds, the reduced rate will be applicable. Village halls may revert to the providers to ask for a refund of VAT if the standard rate has been charged.

8 Penalties

If a certificate is returned by a village hall committee incorrectly claiming eligibility for the reduced rate, Customs & Excise may impose a financial penalty equal to the VAT not charged.

Sources of further information and advice

The **ACRE Network** provides an information and advice service for village hall management committees through its network of village hall advisers. A link to the village halls advisers is available on the ACRE website: www.acre.org.uk

ACRE publishes a range of village hall publications and Information Sheets to support this service, which are available from your local ACRE Network member. ACRE publications that may be of particular interest to readers of this information sheet are:

- Information Sheet 6 - Village halls and registration for VAT
- Information Sheet 18 - Village halls and VAT on building work and other purchases

Useful contacts

HMRC

www.hmrc.gov.uk
or telephone 0845 302 0203

Charities and Community Amateur Sports Clubs (CASCs)

Information for charities and CASCs about Gift Aid, Payroll Giving, tax reliefs, VAT, how to complete a Company or Self Assessment tax return, and forms that can be downloaded.

Utility Aid

Is a utility consultancy designed to help not-for-profit & ethically minded organisations source the best prices and tariffs
www.utility-aid.co.uk

Vatadvice.org

Can provide consultancy and advice for all charity VAT issues. We are grateful to them for their support in reviewing this Information Sheet.
www.vatadvice.org