

New rules for reduced VAT on heating controls

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Since 1998, heating controls have been one of several designated energy-saving products whose installation incurs a reduced VAT rate of 5%. However, some changes were introduced in October 2019 and it is important that installers recognise these to keep fully up to date with the potential application of the reduced VAT rate.



The key points are below:

- A reduced 5% rate of VAT rate applies to the purchase and installation of certain specified energy-saving materials.
- Heating and hot water controls covered by this reduced rate are manual or electronic timers, thermostats, and mechanical or electronic valves, including thermostatic radiator valves.
- The reduced rate applies when the installation is grant funded, or where the occupant is aged 60 or over, or receives one of a list of qualifying benefits. It also applies where installation is in social housing, a care home, or a children's home.
- For any other situation installers must look at what is being called "the 60% test". If the cost of the energy saving materials is less than 60% of the total cost of the work the reduced rate of 5% applies to that total cost for materials and installation. If it's more than 60% of the total cost, 5% VAT only applies to the installation.
- Full details and examples of the 60% rule can be found in [VAT Notice 708/6](#) on the gov.uk website.

One of the important additional factors for heating installers to consider is that this will only apply to heating and hot water controls installed separate from other heating system work. When controls are installed as part of a central heating installation or a boiler replacement then the VAT rules consider this to be a single supply of a central heating system or boiler replacement. As neither of these are on the list of eligible energy saving materials (unless grant funded), then the standard rate of VAT will apply to the whole job.

This would not apply in conjunction with insulation measures. This means that heating controls installed as a secondary measure under the Green Homes Grant scheme will be eligible for 5% VAT.

The reduced rate should allow heating controls upgrades to be offered to householders at a lower cost and could allow installers who take advantage of this the opportunity to offer upgrades at a lower cost than their competitors without impacting on their profit margin.