

VAT exemption policy for solar power generation

Are solar panels subject to VAT?

This guidance sets out the VAT treatment of the supply and installation of solar panels. The supply of solar panels is subject to the standard rate of VAT. However, the reduced rate or zero rate may apply when solar panels are supplied and installed as part of a supply and install contract.

Are solar and energy storage installations subject to VAT?

All solar and energy storage installations, including maintenance to existing sites, should be subject to 0% VAT. This should include residential energy storage when installed as a standalone measure.

What is the new solar tax exemption?

For multi-family and mixed-use buildings, the exemption will apply to solar plants of up to 15 kW per residential or commercial unit, but only up to 100 kW per taxpayer. In addition, the 19% VAT on the purchase and installation of photovoltaic systems including battery storage will be removed on January 1, 2023.

What is the VAT rate on solar?

VAT on a range of domestic energy efficiency and renewable energy installations, including solar, is now 0% in Great Britain. This is a reduction from the previous rate of between 5% and 20%. Eligible installations are those included on the Government's list of Energy Saving Measures (ESMs).

Will a new solar system save a lot on VAT?

In addition, the 19% VAT on the purchase and installation of photovoltaic systems including battery storage will be removed on January 1, 2023. The VAT exemption applies also to systems that were ordered in 2022 but will go into operation next year. The tax benefit is estimated to save a four-digit amount on the purchase of a new solar system.

Are solar thermal and PV systems subject to VAT?

Solar thermal and PV systems are included on the list of ESMs. Their supply and installation are now subject to 0% VAT in Great Britain. In Northern Ireland, the previous rules remain in force. This means that solar is subject to 20% VAT unless a reduced rate of 5% applies.

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