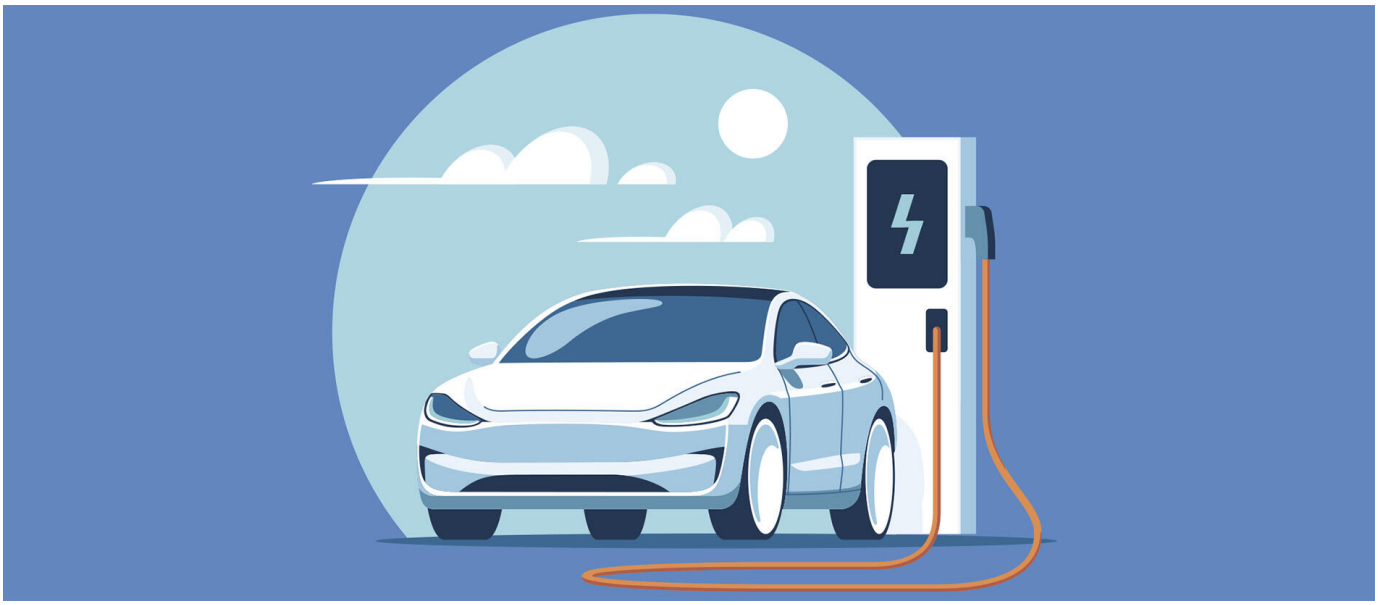
Tax treatment of electric vehicle charging: a power play

Indirect Tax



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New charges and a key tribunal decision put EV taxation and VAT disparities under scrutiny.

As more of us acquire electric cars, the question of taxation looms.

Petrol and diesel cars bear VAT and an initial emissions-based charge when first purchased (up to £5,690, depending on price and emissions); and £200 vehicle excise duty annually, with a £440 supplement for a car costing over £40,000. Fuel duty and VAT on fuel are a key differentiator: duty is currently 52.95p per litre, with VAT on top. This means about half the cost of fuel is tax.

Electric cars fared well up to 2025, with an initial charge of only £10 and minimal vehicle excise duty. However, from 1 April 2025, they became liable for £200 vehicle excise duty annually, with an expensive car supplement of £440 for vehicles costing over £50,000. Electric cars fare much better on the electricity they consume: 5%

VAT on home charging and 20% VAT on public charging, with no equivalent of fuel duty.

However, at the Autumn Budget 2025, Chancellor Rachel Reeves announced a new mileage charge for EVs from 1 April 2028 at 3p per mile. Details are yet to be announced, but it will not involve a tracker in the vehicle. It may involve estimated monthly payments with an annual reconciliation supported by mileage readings.

The different VAT rates on public and home charging have sparked debate, particularly as the total cost of high-speed public charging can be similar to that of petrol or diesel. Many people have highlighted the unfairness for those in flats or without off-road parking, who end up paying much more for their electricity.

Public charging points

In *Charge My Street Ltd v HMRC* [2026] UKFTT 318, the taxpayer (advised by Deloitte) challenged HMRC's decision that public EV charging is subject to VAT at the standard rate. Charge My Street provided charging points at a range of premises for public use.

The challenge relied on Value Added Tax Act 1994 Sch 7A, which sets out supplies eligible for the reduced rate. Within Group 1 (Supplies of domestic fuel or power), Note 5 provides that certain supplies are always treated as for domestic use, in particular:

(g) a supply of electricity to a person at any premises where the electricity (together with any other electricity provided to him at the premises by the same supplier) was not provided at a rate exceeding 1000 kilowatt hours a month.

It is clear that Note 5(g) extends beyond supplies to domestic dwellings.

However, HMRC's guidance in VAT Notice 701/19 s 3.1 states that this does not apply to the charging of electric vehicles at public charging points: 'This is always treated as standard rated for VAT, regardless of the quantity of electricity supplied.' Section 5.3 repeats this wording.

As often noted, guidance does not necessarily represent the law, although it remains the best statement of HMRC's view of the law.

Payment models and their impact

The case debated whether different payment mechanisms used by the taxpayer company affected the outcome. In some cases, customers paid directly by contactless; in other cases, via an app. The tribunal concluded that direct payments to Charge My Street could fall within Note 5(g). However, where payment was made to the app provider, it was possible that the app provider acted as principal or as a commission agent, which could mean that supplies needed to be aggregated. The contractual terms did not help the taxpayer's case.

It was clear that supplies could fall within Note 5(g). Judge Harriet Morgan said:

'Note 5 is intended to allow specified, limited categories of supplies of fuel and power to benefit from the reduced rate of VAT where they may not (at least in part) otherwise qualify as made for domestic use; where the specified conditions are met, the relevant supplies are deemed to be for domestic use regardless of their actual use.'

The judge did not consider that the law required the customer to own the premises, nor that 'premises' meant only buildings; it could include a defined public area such as a car park. The taxpayer's appeal was thus allowed in part, based on the wording of Note 5(g).

The judge also considered the well-known principle of fiscal neutrality, without needing to reach any decision on its applicability.

What happens next?

Where this goes in the future is unclear. It is highly likely that HMRC will appeal, and perhaps the fiscal neutrality principle will be considered in higher courts, as well as the meaning of the legislation. There seems little doubt that, in the public's eyes, the differential VAT treatment is not justifiable.