ATT warns energy VAT cut must be passed on to consumers

Briefings

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Energy users must directly benefit from the temporary VAT cut, while a wider review is needed to tackle complexity in the VAT regime.

ATT has urged the government to ensure that savings from its VAT cut on domestic energy use are passed on to households.

Speaking after new Prime Minister Andy Burnham’s announcement that VAT would be temporarily removed from domestic electricity bills from 1 October, ATT Director of Public Policy Emma Rawson said that there were ‘no clear consequences’ for energy providers who do not pass the savings directly on to consumers.

Rawson said: ‘The government has said it expects energy providers to pass the VAT reduction on to customers, including those on fixed tariffs, as they did with the £150 of costs taken off energy bills announced at the last Budget.’ She continued:

‘However, there appears to be no clear consequences for those who do not, meaning this saving is not guaranteed. It is important households feeling the squeeze are protected by this move.’

ATT has also called for a wider plan to address areas of complexity in the VAT regime, and a move away from further short-term changes such as the temporary reduced rate for hospitality, holiday accommodation and admission to tourist attractions this summer. The VAT treatment of food and drink is one area ATT would like the government to explore.

You can read ATT’s reaction to the energy bill announcement here.