

Changes to non-commodity charges

Value Added Tax (VAT)

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Value Added Tax (VAT)

An indirect tax levied on goods and services

How is it charged?

- VAT is a tax on consumer expenditure. A VAT registered business charges VAT on the supplies it makes to its customers. A VAT invoice must be issued to business customers
- The VAT liability of the B2B retail supply of energy is determined by three variable factors:
 - The level of the customer's consumption (i.e. whether or not it is within the statutory De Minimis threshold for the particular energy) in the relevant period
 - Whether a lower rate of VAT can be applied to the energy supplied (in whole or in part) following the submission of a VAT Declaration
 - The prevailing rate (or rates) of VAT at the time of supply
- Further information on VAT, including the details of the exclusions and the relief, is available on the [HMRC website](#)

How will it appear on my invoice?

- Invoices will now contain a VAT analysis box which identifies VAT treatment applicable, NET value and amount of VAT
- The VAT rate will be indicated for each charge line and shown as:
 - **DEM** – Under De Minimis kWh
 - **STD** – Standard Rate
 - **RR** – Reduced Rate
 - **MU** – Mixed Use
 - **EXMT** – Exempt
 - **Zero** – Zero Rate
 - **O/S** – Outside the Scope

What are the key differences?

- VAT will be calculated and shown at a premises level and not at an MPAN level
- For Unmetered Supplies (UMS), the De Minimis calculation will be done at contract level using the collective Estimated Annual Consumption (EAC) from the UMS Certificate to determine whether the standard or reduced rate of VAT is applied
- VAT relief certificates are applied at account level and must include all MPANs associated with the premises
- VAT codes displayed on invoices have been amended:
 - **Reduced Rate (RR)** – replaces previously used code DFR (Domestic Fuel Rate) – this is used when all of the energy supplied on the invoice is subject to the reduced rate due to a VAT declaration
 - **Mixed Use (MU)** – replaces previously used code DOM (Composite Rate) – this is used when the energy supplied is partially subject to the reduced rate due to a VAT declaration and the remainder to the standard rate