

Extend 0% VAT for Energy Efficiency Measures and Domestic Renewables

Overview:

- In 2022, the Government removed VAT on domestic renewables and energy efficiency measures, such as solar panels, heat pumps and insulation measures.
- However, this exemption is scheduled to end on 1st April 2027.
- To keep the cost of renewable technologies low, the Treasury must extend the zero rating of VAT on domestic renewables and energy efficiency measures until 2030 at the very least.
- Upfront costs of domestic renewables to homeowners need to be permanently reduced.

Policy Context

- As part of the Spring Statement 2022, the Chancellor made the welcome announcement that from 1 April 2022 until 31 March 2027 VAT on installing energy-saving materials (ESMs) in residential properties will be 0% in Great Britain.
- From March 2027, industry and consumers face a potential 5-20% jump in the cost of renewables like solar PV, heat pumps, battery storage and other energy efficiency measures.

Benefits of an Extension

- Under the current exemption, installations of domestic renewables have reached record levels, and more people than ever are benefitting from cleaner energy, warmer homes and lower bills.
- Record installs have also corresponded to a significant increase in the number of installers, so the zero rating is in part compensated by growth in tax-paying paid employment in the sector.
- Removing the VAT exemption would increase upfront cost and stifle progress. Instead, the Government can send a clear signal to businesses and consumers that the UK is serious about renewables and retrofitting.

Has the policy been a success?

- The rate of MCS-certified renewable installations has grown significantly since the introduction of the VAT exemption in April 2022.
 - From April 2021 to 2022, MCS data shows 128,778 installs of all technologies.
 - For February 2025 to 2026, there were 378,231 in total.
- This policy has worked well in conjunction with other government schemes aimed at boosting domestic renewable uptake in the same period.
- For example, the Boiler Upgrade Scheme (BUS) was also introduced in 2022, which offers grants towards the capital cost of installing a low-carbon heating system. After another

record-breaking year for heat pumps in 2025, the Government opted to build on successes and [extend the duration of the scheme until March '30](#).

- Monthly installation rates have tripled since the introduction of the zero-rating of VAT, rising from around 10,000 in April 2022 to over 30,000 monthly installs by the end of last year.
- This demonstrates the success of the policy, working alongside other government schemes to boost renewables uptake.



Figure 1: Number of installations of [MCS-Certified technologies](#) – April 2022 to October 2025.

How does this fit with current home decarbonisation goals?

- The Government recently announced the [Warm Homes Plan](#) (WHP) - aimed at upgrading homes nationwide to help families cut energy bills and tackle fuel poverty. It's the biggest public investment in home upgrades in British history.
- The WHP's £15bn funding commitment includes:
 - £5bn for low-income schemes
 - £2.7bn for the Boiler Upgrade Scheme
 - £2bn for low-interest loans
- Many of these measures aim to overcome the cost barriers faced by consumers seeking to decarbonise their homes, so ending the zero rate of VAT would undermine the £15 billion investment the Government has just committed to its flagship home decarbonisation policy.

Further Information

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