



HM Revenue
& Customs

Large Business
HM Revenue and Customs
1724
NEWCASTLE
NE98 1ZZ

Email fuelandpowerotmproject@hmrc.gov.uk

Web www.gov.uk

Date [date]

Ref Fuel and Power OTM Project

Dear [Enter customers name]

Fuel and power supplies – risk of VAT error

We're writing to ask you to check your systems and processes for accounting for VAT on supplies of power.

We're asking energy businesses to do this as we've found that some may have systems that don't allow them to apply the legislation correctly. The legislation for the reduced rate of VAT on supplies of domestic fuel or power is found at Group 1, Schedule 7A, VAT Act 1994.

VAT on energy supplies

VAT Notice 701/19 – Fuel and Power explains how suppliers and users should treat supplies of fuel and power for VAT purposes.

The reduced rate of VAT applies to supplies of small ('de minimis') amounts of energy. Billing systems that determine when the de minimis limit applies should have appropriate processes in place to support compliance with the relevant legislation.

The VAT Fuel and Power internal manual (VFUP) stipulates that the de minimis limit must be considered independently for each premises. Where multiple meters are used in a single premises and the supply of fuel and power is to one customer, such

meters must be aggregated before applying the de minimis test for VAT and determining the VAT rate applicable to the supply.

For more information, go to GOV.UK and search 'VAT fuel and power'.

What you need to do by {DATE to be inserted - 45 days from date of letter}

Read the guidance in VAT Notice 701/19, especially the rules in sections 3 to 7. Then:

1. Review your billing and accounting systems to make sure they can account for VAT in line with the guidance, and make improvements if you need to. If you supply to any premises with multiple meters, check these meters are aggregated before you issue a bill for that premises.
2. Let us know if, in the past four years, you made any reduced rated supplies of fuel or power because the supply met the de minimis limit test.
3. Correct any mistakes in your VAT calculations. Go to GOV.UK and search 'VAT notice 700/45', then follow the process to do this.
4. Email us by {DATE to be inserted - 45 days from date of letter} to confirm that you've done the above and tell us about any improvements you've made or errors you've corrected. Our email address is at the top of this letter.

If you need more time to respond or have any questions, please contact us. Our details are at the top of this letter.

Yours sincerely,

[Signature]

To find out what you can expect from us, go to GOV.UK and search 'HMRC Charter'.