

[Address]

**Date** [date]

**Email** [\[email address\]](#)

**Ref** [reference number]

**Web** [www.gov.uk](http://www.gov.uk)

Dear [ ]

### **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 4 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. Write to 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 address is at the top of this letter.

If you choose to email us, please be aware that email is not secure.

If you want us to reply by email, you must also tell us that you understand and accept the risks involved. For more information, please read the enclosed factsheet, 'Corresponding with HMRC by email'.

You'll need to confirm that your company has agreed to contact us using email. Please send this agreement, with your reply, to [Insert email] ...

We'll only email you about your tax affairs if you've already given us permission to do so. If you have any doubt that an email has come from HMRC, then do not click on any links, give any personal details or reply to the email. You should send the email to us at [phishing@hmrc.gov.uk](mailto:phishing@hmrc.gov.uk)

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

Yours faithfully,  
[Signature]

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

