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Your Guide To The Tax Implications Of Renewable Energy Investment

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The following summary briefly explains some of the issues that will affect your investment in renewable energy sources such as solar pv units, windmills etc. The information below is only a general guide and you should seek specific advice on any particular situation that is specific to your circumstances.

Is all the income from Feed in tariffs and sale of electricity tax free?

Income received from renewable energy sources can be tax free. HMRC state that tax free status will be available 'where an individual generates electricity mainly for use in their own home.' The use of the term mainly generally refers to more than 50%, therefore if more than 50% of electricity is exported there is a possibility that tax free status may be lost, but possibly only on the exported proportion.

If I have to pay tax on the income can I claim any tax relief?

Yes, where electricity generation is treated as taxable income you can claim capital allowances against the cost of the plant, and any running or finance charges, as an expense.



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What happens if my production is part business and part domestic?

The domestic element can be tax free, with no expenses allowable, but the business element will be taxable. HMRC guidance states that you can treat the domestic element as tax free, but you will need to quantify the domestic use.

If I install something purely for business is it tax free?

No anything without any domestic use will be taxable.

What rate of VAT will be charged on the installation?

On a purely domestic dwelling VAT will be charged at 5%. Commercial installations such as those on farm buildings, or hotels will be subject to VAT at 20%.

Can I reclaim the VAT?

If the installation is for business purposes and your business is VAT registered, then yes, you can reclaim the VAT. If there is any personal, i.e. domestic use, then you should disallow a proportion of the VAT that represents personal use.

Is there any other tax relief available?

If you are installing a commercial system and your circumstances allow it you may be able to get income tax and capital gains tax relief using the Enterprise Investment Scheme. You should seek specific advice in connection with this.



For Further Information Contact:



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