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Bulletin

charity tax group

21st July 2026

Zero rated VAT on charity’s electricity bills

Many of you will have seen the **announcement** this morning that VAT on domestic electricity bills will be reduced from 5% to 0% from 1 October this year.

Although the announcement focused on households, it indicates that the new zero rate will apply in the same way as the current 5% rate. This means that charities who currently claim 5% VAT either because they are using electricity for non-business purposes or for relevant residential accommodation will also benefit from the zero rating:

‘Small businesses who qualify for the domestic energy VAT relief and are not registered for VAT, as well as charities and residential care homes eligible for the reduced rate will also benefit.’

Eligibility depends on how the electricity is used. Importantly, use for charitable activities does not automatically qualify for relief. The relief generally applies where electricity is used for certain non-business activities or residential accommodation.

If your charity currently pays the standard rate of VAT on electricity, this announcement may be a good opportunity to review whether you

are entitled to claim the existing relief. HMRC
guidance is available **here**.

At present, the Government's announcement refers only to electricity. We are therefore assuming that gas and other qualifying energy supplies will remain subject to the existing 5% VAT rate unless further details are announced.

It is not clear whether this is a short term measure for the remainder of the financial year or may be around for longer. The certainty we can offer you is that the CTG Team will keep you updated as more information becomes available.

CTG Top Takeaway: If your charity currently qualifies for the 5% VAT rate on electricity, that VAT rate should fall to 0% from 1 October 2026.

Best wishes,

CTG Team

As ever, if you have any questions, please do not hesitate to contact our expert advisors at **expert@charitytaxgroup.org.uk**.

With my best wishes,

Luke Hall
Chief Executive Officer
Charity Tax Group

P.S. To keep up to date with the latest on Charity Tax, follow us on LinkedIn and X by clicking the buttons below.

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