



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Iain Stewart MP
House of Commons
London
SW1A 0AA

22 March 2022

Dear Iain,

Thank you for your email of 9 March to HM Treasury on behalf of your constituents, about the FairCharge campaign. I am replying as Minister responsible for the UK tax system.

VAT is a broad-based tax on consumption and the 20 per cent standard rate applies to most goods and services. While there are exceptions to the standard rate, these have always been limited by both legal and fiscal considerations.

In recognition of the fact that families should not have to bear all of the VAT costs they incur to meet their needs, the supply of energy for domestic use (including for electricity) attracts the reduced rate of VAT (5 per cent), saving an average of £5 billion per annum on household energy bills. Whilst this relief was not designed or introduced for charging Electric Vehicles (EVs) at home, this relief applies for all uses of domestic energy. Electricity supplied at EV charging points in public places is subject to the standard rate of VAT (20 per cent).

Expanding the relief already available would impose significant additional pressure on the public finances, to which VAT makes a significant contribution. VAT raised around £130 billion in 2019/20, and helps to fund key spending priorities. As you will know, any reduction in tax paid is a reduction in the money available to support important public services, including the NHS and policing.

While there are no current plans to change the VAT treatment of electricity supplied at public EV charge points, the Government is committed to supporting the transition to zero emission vehicles to help the UK meet its net-zero obligations and is providing significant funding to help achieve this.

HM Revenue and Customs is currently reviewing the way in which businesses are able to reclaim the VAT incurred for the charging of EVs. As part of this, VAT Notice 700/64 (Motoring Expenses) was updated on 6 January to provide further clarification. It can be viewed here: www.gov.uk/guidance/vat-on-motoring-expenses-notice-70064. The review is ongoing and will conclude later this year.

Building on the £1.9 billion from Spending Review 2020, the Government has committed an additional £620 million to support the transition to EVs.


Government grants have been in place for over a decade to help reduce the up-front purchase price of electric vehicles. In 2020 Government announced a further a £582 million for the plug-in car, van, motorcycle and taxi grants to 2022/23, and additional funding for targeted incentives has been made available in November 2021.

The Government is providing grants for homeowners, businesses and local authorities to install chargepoints and is also supporting the deployment of rapid chargepoints. The Government will provide £1.3 billion over the next four years to support the continued roll-out of chargepoints on motorways and major A roads, in homes and businesses and on-street.

The March 2020 Budget extended favourable benefit in kind tax rates for zero emission vehicles out to 2025: company car tax is 1 per cent in 2021/22 and 2 per cent in 2022/23 through to 2024/25. Further, all zero emission cars are exempt from vehicle excise duty and zero emissions vans pay a nil rate of tax on the van benefit charge.

Please pass on my thanks to your constituents for making me aware of their concerns.

Yours sincerely,

A handwritten signature in black ink that reads "Lucy Frazer". The signature is written in a cursive, flowing style.

THE RT HON LUCY FRAZER QC MP