

---

STATUTORY INSTRUMENTS

---

**1998 No. 1375**

**VALUE ADDED TAX**

**The Value Added Tax (Reduced Rate) Order 1998**

*Approved by the House of Commons*

<i>Made</i>	- - - -	<i>3rd June 1998</i>
<i>Laid before the House of Commons</i>	- - - -	<i>3rd June 1998</i>
<i>Coming into force on</i>	- -	<i>1st July 1998</i>

The Treasury, in exercise of the powers conferred on them by section 2(1C) of the Value Added Tax Act 1994<sup>(1)</sup> and of all other powers enabling them in that behalf hereby make the following Order:

1. This Order may be cited as the Value Added Tax (Reduced Rate) Order 1998 and shall come into force on 1st July 1998 in relation to supplies made, or on equivalent acquisitions or importations occurring, on or after that date.

2. Schedule A1 (Charge at Reduced Rate) to the Value Added Tax Act 1994<sup>(2)</sup> shall be amended in accordance with Articles 3 to 6 below.

3. For sub-paragraph (1) of paragraph 1 there shall be substituted—

“(1) Subject to the following provisions of this Schedule, the supplies falling within this paragraph are—

(a) supplies for qualifying use of—

- (i) coal, coke, or other solid substances held out for sale solely as fuel;
- (ii) coal gas, water gas, producer gases or similar gases;
- (iii) petroleum gases, or other gaseous hydrocarbons, whether in a gaseous or liquid state;
- (iv) fuel oil, gas oil or kerosene; or
- (v) electricity, heat or air-conditioning;

(b) supplies to a qualifying person of any services of installing energy-saving materials in the qualifying person’s sole or main residence; and

(c) supplies of energy-saving materials made to a qualifying person by a person who installs those materials in the qualifying person’s sole or main residence.

---

(1) 1994 c. 23; subsection (1C) was inserted by section 21(2) of the Finance Act 1995 (c. 4).

(2) 1994 c. 23; Schedule A1 was inserted by section 21(3) of the Finance Act 1995 (c. 4).

(1A) A supply to which sub-paragraph (1)(b) or (c) above applies is a supply falling within this paragraph only to the extent that the consideration for it is or is to be funded by a grant made under a relevant scheme.

(1B) Where a grant is made under a relevant scheme in order to fund a supply of a description falling within sub-paragraph (1)(b) or (c) above (“the relevant supply”) and also to fund a supply to which neither of those sub-paragraphs applies (“the non-relevant supply”) then the proportion of the grant that is to be attributed, for the purposes of sub-paragraph (1A) above, to the relevant supply shall be the same proportion as the consideration reasonably attributable to that supply bears to the consideration for that supply and for the non-relevant supply.”

4. In paragraph 2(c) for “paragraph 1(1)(b)” there shall be substituted “paragraph 1(1)(a)(ii)”.
5. In paragraph 4—
  - (a) in sub-paragraph (1) after “Paragraph 1(1)(a)” there shall be inserted “(i)”;
  - (b) in sub-paragraph (2) for “Paragraph 1(1)(b) and (c)” there shall be substituted “Paragraph 1(1)(a)(ii) and (iii)”;
  - (c) in sub-paragraph (3) for “Paragraph 1(1)(d)” there shall be substituted “Paragraph 1(1)(a)(iv)”.
6. After paragraph 4 there shall be inserted—
  - “5.—(1) For the purposes of this paragraph—
    - (a) “the Contributions and Benefits Act” means the Social Security Contributions and Benefits Act 1992(3); and
    - (b) “the Northern Ireland Act” means the Social Security Contributions and Benefits (Northern Ireland) Act 1992(4).
  - (2) For the purposes of paragraph 1(1) above a person to whom a supply is made is “a qualifying person” if at the time of the supply he—
    - (a) is aged 60 or over; or
    - (b) is in receipt of one or more of the benefits mentioned in sub-paragraph (3) below.
  - (3) The benefits referred to in sub-paragraph (2) above are as follows—
    - (a) council tax benefit under Part VII of the Contributions and Benefits Act;
    - (b) disability living allowance under Part III of the Contributions and Benefits Act or Part III of the Northern Ireland Act;
    - (c) disability working allowance under Part VII of the Contributions and Benefits Act or Part VII of the Northern Ireland Act;
    - (d) family credit under Part VII of the Contributions and Benefits Act or Part VII of the Northern Ireland Act;
    - (e) housing benefit under Part VII of the Contributions and Benefits Act or Part VII of the Northern Ireland Act;
    - (f) an income-based jobseeker’s allowance within the meaning of section 1(4) of the Jobseekers Act 1995(5) or Article 3(4) of the Jobseekers (Northern Ireland) Order 1995(6);

---

(3) 1992 c. 4.

(4) 1992 c. 7.

(5) 1995 c. 18.

(6) S.I.1995/2705 (N.I. 15).

- (g) income support under Part VII of the Contributions and Benefits Act or Part VII of the Northern Ireland Act;
  - (h) disablement pension under Part V of the Contributions and Benefits Act or Part V of the Northern Ireland Act, which is payable at the increased rate provided for under section 104 (constant attendance allowance) of the Act concerned; and
  - (i) war disablement pension under the Naval, Military and Air Forces Etc. (Disablement and Death) Service Pensions Order 1983(7), which is payable at the increased rate provided for under article 14 (constant attendance allowance) or article 26A (mobility supplement) of that Order.
- (4) For the purposes of paragraph 1(1)(b) and (c) above “energy-saving materials” means any of the following—
- (a) insulation for walls, floors, ceilings, roofs or lofts or for water tanks, pipes or other plumbing fittings;
  - (b) draught stripping for windows and doors;
  - (c) central heating system controls;
  - (d) hot water system controls.
- (5) For the purposes of paragraph 1(1A) and (1B) above a scheme is a “relevant scheme” if it is one which—
- (a) has as one of its objectives the funding of the installation of energy-saving materials in the homes of any persons who are qualifying persons, and
  - (b) disburses, whether directly or indirectly, its grants in whole or in part out of funds made available to it in order to achieve that objective—
    - (i) by the Secretary of State,
    - (ii) by the European Community,
    - (iii) under an arrangement approved by the Director General of Electricity Supply, the Director General of Electricity Supply for Northern Ireland or the Director General of Gas Supply, or
    - (iv) by a local authority(8).”

Graham Allen  
Jim Dowd

Two of the Lords Commissioners of Her  
Majesty’s Treasury

3rd June 1998

---

(7) S.I. 1983/883; relevant amending instruments are S.I. 1983/1116, 1983/1521, 1986/592, 1990/1308, 1991/766, 1992/710, 1995/766, 1997/286.

(8) Local authority is defined in section 96(4) of the Value Added Tax Act 1994 (c. 23) (as amended by article 2 of S.I. 1995/1510 and article 7(1) of, and paragraph 8 of Schedule 1 to, S.I. 1996/739) as the council of a county, county borough, district, London borough, parish or group of parishes (or in Wales, community or group of communities), the Common Council of the City of London, the Council of the Isles of Scilly, and any joint committee or joint board established by two or more of the foregoing and, in relation to Scotland, a council constituted under section 2 of the Local Government (Scotland) Act 1994 (c. 39), any two or more such councils and any joint committee or joint board within the meaning of section 235(1) of the Local Government (Scotland) Act 1973 (c. 65).

**Status:** This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

---

## EXPLANATORY NOTE

*(This note is not part of the Order)*

This Order, which comes into force on 1st July 1998, amends Schedule A1 to the Value Added Tax Act 1994 (c. 23) (Charge at Reduced Rate). It introduces a new relief for supplies, to the less well-off of the service of installation of energy saving materials (and supplies of those materials when made by the person installing them) to the extent to which they are funded by grants under certain schemes. Supplies to which the new relief applies will be taxed at 5 per cent (the same reduced rate of VAT that applies to supplies of fuel and power for domestic use).

Article 3 of the Order creates the new relief by inserting an amended paragraph 1(1) into Schedule A1.

Articles 4 and 5 make consequential amendments resulting from the amendment to paragraph 1(1).

Article 6 defines the people who, for the purposes of the relief, are less well-off. They are people receiving at least one of the benefits listed in the new paragraph 5(3) inserted into the Schedule or people who are aged 60 or more. The article also describes the materials in respect of which relief is given as insulation for various parts of the structure of a house and its plumbing system, draught stripping, and central heating and hot water system controls. Finally, this article defines grant schemes from which funding for supplies must come if the relief is to apply.