HMRC - VATSC05226 - Feed-In Tariffs: Variation

Introduction

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As a variation on the basic arrangements (see VATSC05224) there are various commercial models where the ownership of a Feed-in Tariff (and therefore the right to income from the ‘generation’ and ‘export’ tariffs) is vested in a business installing microgeneration products such as solar systems. Typically this will involve the following steps.

Step 1

A lease is granted by the owner of a property to a company installing, for example, solar energy systems (‘the company’). The lease is of the airspace above the roof of the property and it is granted for a peppercorn.

Step 2

Electricity is generated by the system installed. Any surplus electricity over and above that used within the property feeds into the National Grid. The property owner will notify the company of the electricity consumed by taking meter readings.

Step 3

The property owner either pays nothing to use the electricity generated by the system installed, or a reduced price for it.

Step 4

The company receives income payable in relation to the generation tariff and the export tariff. This is part of a separate arrangement between the company and an electricity company. Where this involves industrial premises there are precise meter readings for both the generation tariff and the export tariff. For residential properties there is simply a 50:50 pro-rata calculation.

Supply position and valuation

In this situation the company is making supplies of electricity to the property owner in return for the lease of the airspace above the property, and also in addition for any consideration actually paid to it by the property owner. Where a value needs to be put on this supply, because there is non-monetary consideration, we consider that the rationale used by the European Court of Justice in Empire Stores applies and the value is the cost price of the electricity (see the V1-12 Valuation maual, paragraph 4.4).

There is no single method of valuing this supply because individual circumstances will vary. One simple and acceptable way is to adopt the methodology used to calculate the export tariff, which

is independently set by the Department of Energy and Climate Change

is universal to all bodies generating electricity under the scheme

is known, and

is in effect the established wholesale price.

Additionally the company may make supplies of surplus electricity to the National Grid in return for payments under the export tariff. the consideration for these supplies is therefore readily identifiable.

Where the property owner is a taxable person there will also be a supply of the lease by the owner in return for the benefit of the electricity generated and used from the system installed.

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