HMRC - VATSC64020 - VAT Position

In the UK permits to emit carbon dioxide are issued by a government agency on behalf of the Department of Energy and Climate Change. They are outside the scope of VAT.

The initial allocation of allowances in the UK is also by UK government department to permit-holding businesses. This too is outside the scope of VAT, because they the allowances are issued free of charge under public statute.

The second phase of the EUETS law also permits national governments to sell surplus allowances at auction. The sale of these allowances, along with allowances traded between businesses, financial institutions and the like, are within the scope of VAT (see VATSC64030).

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