

VAT Rates

Zero Rated

Zero rated goods are still a taxable supply, the goods just have a zero rate of VAT applied. In such a case, a Chancellor could decide to increase the rate from zero to X%. This means that zero rated goods are a potential source of income for the Government (as illustrated by the tax of domestic gas and electricity rose from zero to 5%)

Zero rated Goods are detailed under Schedule 8 of the VAT Act 1994

Group 1	Food (there are some restrictions, and NOT catering)
Group 2	Sewerage services and water
Group 3	Books, journals and magazines
Group 4	Talking books for the blind and handicapped and wireless sets for the blind
Group 5	Certain construction (new builds/listed) and services
Group 6	Protected buildings
Group 7	International services
Group 8	Transport (i.e. School Coach Contracts)
Group 9	Caravans and houseboats
Group 10	Gold
Group 11	Bank notes
Group 12	Drugs, medicines, aids for the handicapped, etc
Group 13	Imports, exports, etc (export of services are outside the scope)
Group 14	Tax-free shops
Group 15	Charities, etc
Group 16	Children's Clothing and footwear

There are a number of notes to add to the above

1. Mains electrical wiring and lighting systems are now considered to be part of the fabric of a building, and can therefore qualify for zero-rating under Group 6.
2. Services relating to entertainment or recreational activities and car parking at airports, which include elements of passenger transport, are wholly standard-rated.
3. Duty and tax-free sales (the old "duty-frees") have been withdrawn for travellers not travelling outside the EC.

The VAT office recommends that each individual case is checked rather than assuming zero rating

Advice can be found at

National Advice Line

0845 010 9000 8.00am to 8.00pm Monday to Friday

When ringing always use an Enquiry Log ([VAT Enquiry Log](#)) and ask for the details logged to be sent as a paper copy for the files.

Alternatively details can be found at

<http://www.hmrc.gov.uk/vat/forms-rates/rates/goods-services.htm>

Please Note

There are standard-rated exceptions in all the zero rated groups, especially with Sewerage Services and Water and Fuel and Power below.

The zero rate takes precedence over exemption in those cases where goods or services are both zero-rated and exempt.

Since 1 July 1990, the VAT liability of water and of certain sewerage services has depended on whether these supplies are made to a business, whose "predominant" activities lie within Divisions 1–5 of the Standard Industrial Classification (SIC) 1980. These are as follows.

Division Description

- 1 Energy and water supply industries
- 2 Extraction of minerals and ores other than fuels, manufacture of metals, mineral products and chemicals
- 3 Metal goods, engineering and vehicle industries
- 4 Other manufacturing industries
- 5 Construction

Any business falling within one of the above categories is classified as "industrial" for VAT purposes.

Zero rated Sewerage Services

The supplies which are always zero-rated, whatever the status of the customer, are the provision of sewerage services:

1. The payment of an unmeasured charge, standing charge or other availability charge for the supply of those services
2. When a specific charge is made, and domestic sewerage services which are charged for by volume.

Standard rated Sewerage Services

The supplies, which are always standard-rated, are:

1. The cleaning, maintenance, unblocking, etc of sewers and drains
2. The removal of industrial or farm waste not discharged into the sewer.
3. The removal, conveyance, treatment or disposal of the contents of cesspools, septic tanks or similar receptacles is standard-rated if made to an industrial customer.

Water

Any supply of water is a supply of goods. Since 1 July 1990, all supplies of water, including supplies of ice or steam, to industrial customers have been standard-rated.

Supplies of water, ice or steam to non-industrial customers are zero-rated.

The following supplies are always zero-rated except when made to industrial customers:

- The provision of water against payment of a charge, including any standing charge for those supplies
- Charges for the abstraction of water by licence
- Specific charges for the supply of water for hosepipes, swimming pools and garden ponds, sprinklers and sprinkler licence fees
- The disconnection and reconnection charges arising as a result of the non-payment of the bill
- The opening and closing of stopcocks at the behest of the water supplier.
 - The following supplies are always standard-rated whatever the status of the customer:
 - Distilled or deionised water and water of similar purity
 - Mineral, table and spa waters in bottles or similar containers held out for sale as a beverage.

For further information see VAT Notice 701/16: Sewerage Services and Water.