



Energy Guide for charities and non-profit organisations

How to minimise the price you pay for gas and
electricity at your charity

This guide explains how charities qualify for reduced VAT on their gas and electricity bills and the difference between business and non-business energy use. It explains how to declare yourself as a charity to your energy supplier, providing contact details and links to a template declaration form. It then provides details on how to make a backdated claim and explains how charities can further reduce their bills by shopping around for the best possible energy rates.

Utility companies tend to view charities in the same way they do small businesses. The fact that charities are typically large consumers of [gas](#) and [electricity](#) means that energy suppliers apply a business meter profile to a charity's premises.

This is not necessarily a good thing. In the words of the UK's consumer champion, Consumer Focus: "Small businesses have been caught in the unfortunate pincer movement of not only rising gas and electricity prices but also deteriorating terms and conditions of supply."

This means that charities, like businesses, must not only shop around and switch if they want to get on competitive rates - they must also serve notice to their supplier well ahead of the contract end date (90 days in some cases) in order to avoid being [automatically 'rolled' onto higher rates](#).

Reduced VAT for charities

It is not all bad news for charities because, under the Finance Acts 1993 & 1997, charities (registered and unregistered) whose energy is used "otherwise than in the course or furtherance of a business" for at least 60% of its actual use, can receive all their power supplies at the **reduced rate of 5% VAT**.

With the standard rate of VAT now at 20%, this is a significant saving for any organisation, let alone a charity, so **we advise charities to dig out their bills and check their VAT rates**. If your 'non-business' use is below 60% of total usage, that proportion of the supply can still be applied to the reduced rate. For example, if 35% of energy use is non-business, 35% can be taxed at 5% and 65% at the standard VAT rate.

What's the difference between business and non-business use?

Non-business use is where no charge is made for products or services offered by the charity or where the only income is a non-business grant (for example, a day centre for the elderly funded by social services) or voluntary donations. It also includes the provision of welfare services to all distressed people for the relief of their distress, and if provided consistently below cost - at least 15% (this includes services for the elderly, infirm, handicapped people, the chronically sick and the poor).

'Business' activities on the other hand include fund-raising activities where goods or services are given in return for payment - such as rent, admission fees, catering or a jumble sale.

Other organisations that qualify for reduced VAT

Many small businesses will meet the 'De Minimis' requirements which also qualify the organisation to be billed at 5% VAT. The requirements are that they use less than an average of 33 kWh per day (1,000 kWh per month) of electricity or 5 therms / 145 kWh per day (150 therms or 4,397 kWh per month) of gas.

Other types of energy use (at least 60% of the overall use) that qualify the organisation for the VAT reduction are:

- For domestic use.
- A building, or part of a building, which consists of a dwelling or number of dwellings.
- A building, or part of a building, used for a residential purpose.
- A home or other institution providing residential accommodation for children.
- A home or other institution providing residential accommodation with personal care for persons in need of personal care by reason of old age, disablement, past or present dependence on alcohol or drugs or past or present medical disorder.
- A hospice.
- A residential accommodation for students or school pupils.
- Residential accommodation for members of any of the armed forces.
- A monastery, nunnery or similar establishment.
- An institution which is the sole or main residence of at least 90% of its residents (except use as a hospital, a prison or similar institution, a hotel, inn or similar establishment).
- Self-catering holiday accommodation.
- A caravan or a houseboat.

Is there a standard charity VAT form?

Charities that are currently paying the standard rate simply have to fill out a VAT Declaration (you can [download a Microsoft Word template here](#)) and send it to their supplier. Whilst the form we provide is totally compliant, charities may wish to request the form that is provided by their own supplier. Below are the phone numbers and addresses for the relevant customer service departments of all the major business energy suppliers:

- **Scottish Power** - 0845 2727000
Multiple addresses: 'Refer to address provided on bill'
- **DONG Energy** - 0207 257 0100
DONG Energy, 1-3 Strand, London WC2N 5EJ
- **e.on** - 0800 0686520
Eon, PO Box 9042, Sherwood Park, Annesley, Nottingham, NG15 5AZ
- **EDF** - 0800 0962255
EDF Energy plc, Registration Department, Southdownview Road, Worthing, BN14 8NL
- **British Gas Business** - 0845 6000604
British Gas Business, Spinneyside, Penman Way, Grove Park Leicester, LE19 1SZ
- **npower** - 0845 1663360
npower Direct Limited, 2 Princes Way, Solihull West Midlands, B91 3ES

- **Opus** - 0843 2272366
Opus Customer Services, Royal Pavillion, 2 Summerhouse Rd, Northampton NN3 6BJ
- **SSE** - 0800 3894466
Scottish & Southern Energy, Grampian House, 200 Dunkeld Rd, Perth, PH1 3GH
- **CNG** - 01423 502554
CNG, CNG House, 5 Victoria Avenue, Harrogate, HG1 1EQ
- **Corona** - 08442 64 64 64
Corona Energy Ltd, Edward Hyde Building, 38 Clarendon Road Watford, WD17 1JW
- **Haven** - 01473 725943
Haven, The Havens, Ransomes Europark, Ipswich, IP3 9SJ

If a charity qualifies for the reduction, can it make a backdated claim?

Yes. You can claim up to four years of back payment. You should expect a rebate from your supplier for the difference between 5% and the standard rate of VAT charged at the time of the bills (bearing in mind the number of times it has changed in recent years).

Our team of cost-saving experts at Make It Cheaper is on hand to talk you through your bill and identify whether or not you are in a position to make a claim. One charitable organisation that we helped - the Regal Community Theatre in Bathgate near Edinburgh - received over £11,000 after writing to its supplier to point out it had been paying the incorrect VAT rate for gas and electricity. [Read the full Regal Community Theatre case study.](#)

Is there anything else charities are exempt from paying?

Yes. Charities are also exempt from the **Climate Change Levy** (CCL) which is automatically added to non-domestic energy bills. The CCL is a Government tax, introduced in 2001, on the use of energy by businesses, agriculture and the public sector. It applies to both gas and electricity.

The aim of the levy is to encourage industry, commerce and the public sector to improve energy efficiency and reduce greenhouse emissions. The current levy for electricity is 0.524p per kilowatt hour (kWh) and Gas CCL 0.182p per kWh (updated April 2013). By successfully applying for the VAT reduction, charities should become automatically exempt from paying the Climate Change Levy.

What else should treasurers/financial controllers be doing?

Keep an eye on bills to make sure your supplier doesn't put you back to the standard VAT rate by mistake. Also look out for your contract renewal letter which will contain the rates your supplier proposes to charge going forward into a new contract period.

Please note that this is your one-and-only reminder to shop around or renegotiate your current contract before being automatically locked in to a new tariff. If you register with Make It Cheaper's reminder service, however, we'll make a note of your contract end date and do everything possible to make sure you don't miss your window to switch or renegotiate with your existing supplier.

What pence per unit of electricity or gas should a charity be paying?

The lowest price for 'business' electricity - available to those organisations that shop around - is just under ten pence per unit, but staying with the same supplier year upon year usually means paying considerably more. Worse still are the prices reserved for passive organisations that have avoided ever entering any form of contact with their supplier and instead simply pay the bills they are given month in, month out.

Energy type	New Customers	Typical Renewals	Out-of-Contract
Business Electricity	9.5p/kWh	15p/kWh	Up to 30p/kWh
Business Gas	3.8p/kWh	5.2p/kWh	Up to 7.5p/kWh

What's the next step?

Call Make It Cheaper on **0800 092 5524** or [fill in a form on our website](#) to request a call back from one of our energy experts. We can help you not only find the best rates for your charity, but also help you claim back VAT and ensure that you are on the correct rate going forward.