



Press and Information

Court of Justice of the European Union

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Judgment in Case C-161/14
Commission v United Kingdom

The United Kingdom cannot apply, with respect to all housing, a reduced rate of VAT to the supply and installation of energy-saving materials, since that rate is reserved solely to transactions relating to social housing

The UK applies a reduced rate of VAT to 'energy-saving materials' which are installed in housing or which are supplied for installation in housing.

The Commission considers that, by so acting, the UK has failed to comply with the VAT Directive.¹ The Commission therefore brought infringement proceedings against the UK before the Court of Justice. According to the Commission, a reduced rate of VAT can be applied only to supplies of goods and services specified in Annex III to the directive. That annex refers to the 'provision, construction, renovation and alteration of housing, as part of a social policy' and to the 'renovation and repairing of private dwellings'. The Commission considers that the supply and installation of 'energy-saving materials' in the housing sector do not fall into either of those two categories. Even if such a supply or installation were to be regarded as falling under the second category ('renovation and repairing of private dwellings'), the Commission states that, under the actual provisions of the VAT Directive, a reduced rate of VAT cannot be applied to that category where the materials account for a significant part of the value of the service supplied. The Commission states that the energy-saving materials covered by the UK legislation extend to materials which account for a significant part of the value of the service supplied.

In today's judgment, the Court states that, with regard to the first of the two abovementioned categories, Annex III to the VAT Directive permits the application of a reduced rate of VAT solely to the provision, construction, renovation and alteration of housing which relate to social housing or to services supplied as part of a social policy. It follows that the VAT Directive precludes national measures which have the effect of applying the reduced rate of VAT to the provision, construction, renovation and alteration of any housing, irrespective of the social context in which such operations take place.

Further, the Court states that, while it is true, as asserted by the UK, that a policy of housing improvement may produce social effects, the extension of the scope of the reduced rate of VAT to all residential property cannot be described as essentially social. By providing for the application of a reduced rate of VAT to supplies of energy-saving materials and installation of such materials, irrespective of the housing concerned and with no differentiation among people living in that housing, the UK measures cannot be regarded as having been adopted for reasons of exclusively social interest or even for reasons of principally social interest.

Finally, the Court endorses the Commission's argument with regard to the category of 'renovation and repairing of private dwellings'.

¹ Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax (OJ 2006 L 347, p. 1), as amended by Council Directive 2009/47/EC of 5 May 2009 (OJ 2009 L 116, p. 18).

NOTE: An action for failure to fulfil obligations directed against a Member State which has failed to comply with its obligations under European Union law may be brought by the Commission or by another Member State. If the Court of Justice finds that there has been a failure to fulfil obligations, the Member State concerned must comply with the Court's judgment without delay.

Where the Commission considers that the Member State has not complied with the judgment, it may bring a further action seeking financial penalties. However, if measures transposing a directive have not been notified to the Commission, the Court of Justice can, on a proposal from the Commission, impose penalties at the stage of the initial judgment.

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The [full text](#) of the judgment is published on the CURIA website on the day of delivery.

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