

Supply and installation of solar panels

This document should be read in conjunction with Paragraph 14 of Schedule 2, paragraphs 9(1) and 15(2) of Schedule 3 of the Value-Added Tax Consolidation Act, 2010

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Introduction

This guidance sets out the VAT treatment of the supply and installation of solar panels.

The supply of solar panels is subject to the standard rate of VAT. However, the reduced rate or zero rate may apply when solar panels are supplied and installed as part of a supply and install contract.

Solar panels include photovoltaic panels, solar windows, and solar walls.

1 Private dwellings

From 1 May 2023, the zero rate applies to the supply and installation of solar panels on or adjacent to immovable goods, being private dwellings. The term 'on or adjacent' allows that the solar panels can be fitted onto the private dwelling (e.g. to the roof) or ground mounted beside it.

Previously, the reduced rate applied where the solar panels did not exceed two-thirds of the total value of the supply.

Private dwellings include:

- houses (including a domestic residence on a farm)
- apartments
- duplexes
- other types of private dwellings such as caravans and mobile homes that are attached to the ground in a way that effectively makes them immobilised.¹

The zero rate does not apply where the building is not a private dwelling such as a:

- commercial building
- industrial building
- public building (other than a public building used as a recognised school)²
- retail shop
- farm building³

¹ This list is not exhaustive.

² See paragraph 2.

- hotel
- B&Bs⁴
- guest houses used for short term-accommodation
- holiday home used for short term-accommodation.⁵

2 Recognised schools

From 1 January 2024, the zero rate applies to the supply and installation of solar panels on or adjacent to immovable goods, being recognised schools. The term 'on or adjacent' allows that the solar panels can be fitted onto the school (e.g. to the roof) or ground mounted beside it.

Previously, the reduced rate applied where the solar panels did not exceed two-thirds of the total value of the supply.

A recognised school is one which provides primary education or post-primary education to students in accordance with the Education Act 1998.

If a recognised school hosts other activities in addition to the usual primary or post-primary school programmes this does not affect the zero-rating of the supply and installation of solar panels to it once the buildings are used predominately for the provision of primary or post-primary education. Where school buildings include, for example, a gym or café in adjoining buildings the zero rate will apply provided there is a single supply and install contract for the whole school.

3 VAT Treatment

For the zero rate to apply, the supply of the solar panels and their installation must be the responsibility of the same business in the same supply (i.e. a supply and install contract).

The standard rate will apply to the supply of the solar panels if there is no installation contract in place with the supply of the goods.

The reduced rate may apply to the installation of the solar panels (subject to the two-thirds rule) if there is a separate installation contract. The two-thirds-rule applies if the cost of the goods used in carrying out the work exceeds two-thirds of the total price. In that case, the rate which applies to the goods then applies to the entire transaction.

³ See paragraph 6.

⁴ See paragraph 5.

⁵ This list is not exhaustive.

The zero rate does not apply to the supply and installation of solar panels on or adjacent to moveable goods such as boats or mobile homes, etc.

Example 1

Company A supplies solar panels. It does not install solar panels. The supply of the solar panels is subject to the standard rate.

Example 2

Company B supplies and installs solar panels on or adjacent to private dwellings. The supply and installation of the solar panels are subject to the zero rate.

Company B also supplies and installs solar panels on recognised schools. The supply and installation of the solar panels are subject to the zero rate.

Example 3

Company C supplies and installs solar panels on or on or adjacent to private dwellings and subcontracts the installation service to a third party, Company Y. The supply and installation of the solar panels by the principal (Company C) is subject to the zero rate. The installation services provided by the subcontractor (Company Y) to the principal (Company C) is liable at the reduced rate.

3.1 Ancillary equipment to solar panels

The zero rate applies to ancillary equipment supplied and installed with the solar panels as part of the same supply and install contract for the solar panels, such as the wiring, the controller, the combiner box, the batteries, etc.⁶

3.2 Supply and installation of other fixtures⁷

Where solar panels are included in a supply and install contract that involves a range of other fixtures, the zero rate may continue to apply to the supply and installation of the solar panels and ancillary equipment to the solar panels; the other fixtures will be taxed at the appropriate rate (i.e. the reduced rate or standard rate).

A fixture is a good which when installed, cannot be removed without causing structural damage to the building or damage to the good itself. Generally, fixtures are subject to the standard rate. However, where fixtures are supplied as part of a “supply and install” contract, the supply may be subject to the reduced rate (subject to the two-thirds rule).

⁶ This list is not exhaustive.

⁷ i.e. Fixtures other than solar panels and equipment ancillary to the solar panels.

A “supply and install” contract is where building services are provided in conjunction with the goods required for that building contract. Where the value of the fixtures, other than solar panels and equipment ancillary to the solar panels, does not exceed two thirds of the total value of the contract, the full amount payable under the building contract will be subject to the reduced rate. Otherwise, the standard rate will apply; the zero rate will continue to apply to the part of the contract that relates to the supply and installation of the solar panels and equipment ancillary to the solar panels.

4 Commercial and other buildings

Where solar panels are supplied as part of a “supply and install” contract in relation to commercial and other buildings (not being private dwellings or recognised schools), the supply may be subject to the reduced rate (subject to the two-thirds rule).

A “supply and install” contract is where building services are provided in conjunction with the goods required for that building contract. Where the value of the solar panels and / or other goods supplied does not exceed two thirds of the total value of the contract, the full amount payable under the building contract will be subject to the reduced rate. Otherwise, the standard rate will apply.

Example 4

Company D supplies and installs solar panels on commercial premises as part of a building contract. The value of the goods supplied do not exceed the 2/3s rule. The supply is subject to the reduced rate.

5 Mixed use buildings

Solar panels supplied and installed on or adjacent to buildings that are used as both a private dwelling and a business, for example B&Bs, can avail of the zero rate where the supply and install contract specifies that the solar panels are to be used fully or partially for the private residential part of the building. In cases of partial use, the consideration must be apportioned between the relevant rates.

Example 5

Company E supplies and installs solar panels on a B&B. The B&B is used as a private dwelling and for short term holiday accommodation. The solar panels are to be used for both the private residential and commercial areas of the building. 10% of the floor space is used for private residential purposes and this is set out in the contract and on the invoice. As such, the zero rate may apply to 10% of the consideration

charged for the supply and installation. The reduced rate may apply to the balance, subject to the two-thirds rule.

6 Farms

Where solar panels are supplied and installed on or adjacent to a private dwelling on a farm, the zero rate applies. Where solar panels are supplied and installed on farm buildings (i.e. not a private dwelling), the reduced rate may apply (as per paragraph 4).

6.1 Flat rate farmers (refund order)

Flat rate farmers may reclaim VAT paid by them in relation to the construction, erection, or installation of qualifying equipment for the purpose of micro-generation of electricity for use solely or mainly for the purposes of a farming business.

Qualifying equipment includes photo-voltaic systems and ancillary equipment to photo-voltaic systems required to store electricity or connection to the grid. The equipment must be named on the Triple E Product Register.

Further information on how to reclaim the VAT is available on the [Revenue website](#).