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VAT on heat pumps and electricity in Europe

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In the European Union, Value Added Tax (VAT) is a tax on the consumption of goods and services. The VAT rate for renewable energy products in the EU can vary depending on the type of product and the country where it is sold.

The EU has set an ambitious target of achieving at least a 42.5% renewable energy in final energy consumption by 2030, up from a share of 22% in 2022. Many EU countries have introduced policies and incentives to encourage the use of clean energy technologies.

Taxes on products and energy carriers can significantly shift demand. The reduced or zero VAT rates on renewable energy products in some EU countries are part of a broader effort to transition to clean energy and reduce greenhouse gas emissions. These incentives can help make renewable energy technologies more affordable and accessible to households and businesses, which in turn can help accelerate the shift toward a more sustainable energy system and will enable the target to be achieved faster.

The VAT Directive (EU 2022/542) allows EU Member States to lower taxes on certain goods and services that are considered necessities. This includes the supply and installation of low-emission, high-efficiency heating systems – such as heat pumps. Taxes can be lowered through reduced rates or exemptions and the possibility of claiming back VAT.

The REPowerEU plan, the EU's plan for reducing dependency on fossil fuel imports, encourages Member States to make full use of supportive measures such as reduced VAT rates for high-efficiency heating systems and for insulation in buildings.

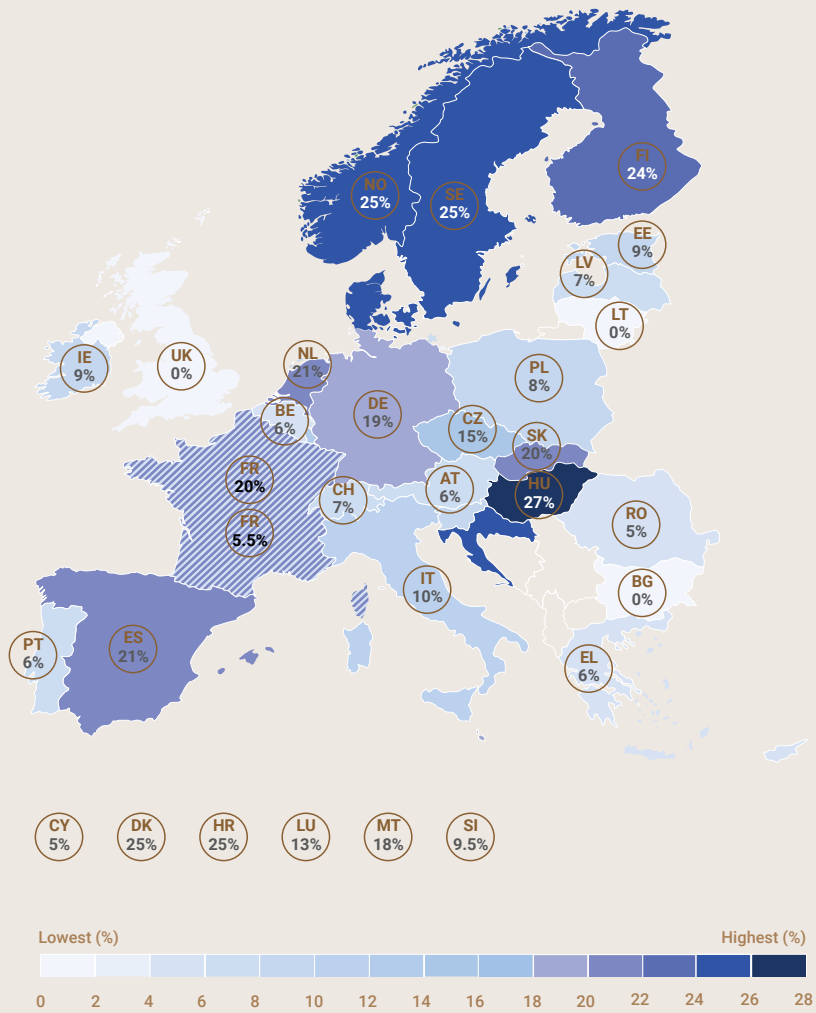
There are 16 EU Member States, plus Switzerland and the UK, which set a lower VAT rate on heat pumps. It is one way of reducing the investment cost. In the future, this should be complemented by a lower tax rate on electricity, including VAT. The overall aim should be lower electricity to gas price ratio. This will allow end-users not only to save energy but also cost over the life time of heating and cooling equipment. This will encourage more people to get a heat pump.

The European Heat Pump Association is in favour of such measures in order to 'level the playing field' and to make the cleanest solutions for heating and cooling also the economically most attractive to end-users, including in industry.

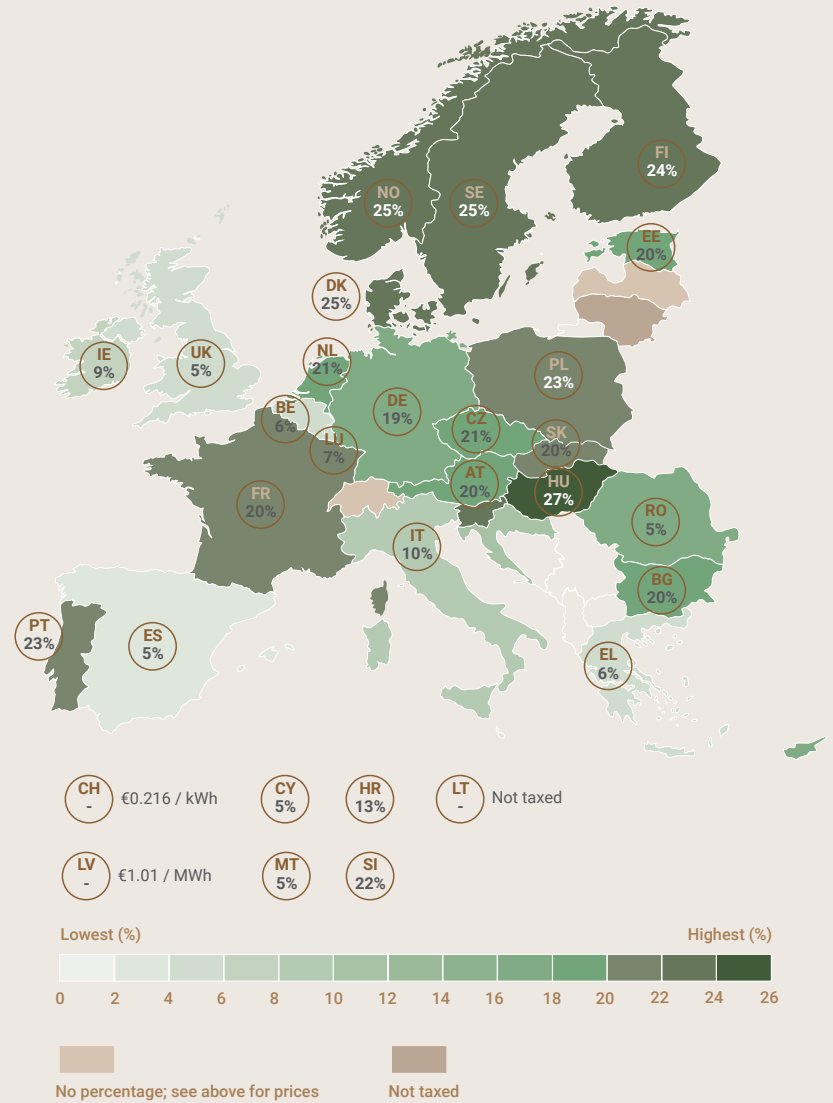
It is time to overcome the traditional advantage given to fossil fuels which have been showered with lower taxation levels and tax breaks while not having to carry the cost of the damage they do to the climate, the environment and health.

It is important to redress this situation now to massively accelerate the uptake of clean technology solutions – including heat pumps for heating and cooling throughout this century.





























Map of VAT on heat pumps by European country



Map of VAT on electricity by European country





































VAT on heat pumps and electricity in Europe - details per country

| Country | Standard VAT rate | VAT rate on heat pumps | VAT rate on electricity | Electricity price for household consumers, first half 2022 (per kWh)* | Comments on the heat pump VAT rate |
|--|-------------------|---|---|---|---|
|  Austria | 20% |  6% |  20% | 0.2249 | The reduced rate applies to the installation and supply of heat pumps which are intended primarily for domestic use. It does not apply to the purchase of a new residential property that includes a heat pump. |
|  Belgium | 21% |  6% |  6% | 0.3377 | The reduced rate applies to the installation of heat pumps in residential properties that meet certain conditions, for example that the installation work is invoiced and supplied to the end customer. |
|  Bulgaria | 20% |  0% |  20% | 0.1093 | |
|  Croatia | 25% |  25% |  13% | 0.1354 | |
|  Czech Republic | 21% |  15% |  21% | 0.3059 | |
|  Denmark | 25% |  25% |  25% | 0.4559 | |
|  Estonia | 20% |  9% |  20% | 0.2056 | To qualify for the lower rate, certain requirements must be met, like maximum heating capacity of 70 kW, energy efficiency rating of at least A+, and the building which has the heat pump must be primarily used for residential purposes. |
|  Finland | 24% |  24% |  24% | 0.1945 | |
|  France | 20% |  5.5%  20% |  20% | 0.2086 | The reduced VAT rate (5.5%) applies to air/water and water/water heat pumps as part of building renovation. On other heat pumps and for new build, the VAT rate is 20%. |




























*Source: Eurostat

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|---|-------------------|---|---|---|---|
|  Germany | 19% |  19% |  19% | 0.3279 | |
|  Greece | 24% |  6% |  6% | 0.2305 | |
|  Hungary | 27% |  27% |  27% | 0.0948 | |
|  Ireland | 23% |  9% |  9% | 0.2741 | |
|  Italy | 22% |  10% |  10% | 0.3115 | |
|  Latvia | 16% |  7% | €1.01 / MWh | 0.2236 | |
|  Lithuania | 21% |  0% | Not taxed | 0.1497 | |
|  Luxembourg | 16% |  13% |  7% | 0.2017 | |
|  Malta | 18% |  18% |  5% | 0.1293 | |
|  Netherlands | 21% |  21% |  21% | 0.0595 | |
|  Norway | 25% |  25% |  25% | 235.3 øre (€0.21) | Households in northern Norway are exempted from VAT on electricity. |
|  Poland | 23% |  8% |  23% | 0.1464 | The reduced VAT rate for heat pumps is applied when the heat pump is purchased as part of an installation service in a private residential building only. |

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|--|-------------------|---|--|---|--|
|  Portugal | 23% |  6% |  23% | 0.2067 | The reduced VAT rate is only applicable for repairs in equipment already installed, if it is a type of heat pump made for domestic use, even if the owner is a company. |
|  Republic of Cyprus | 19% |  5% |  19% | 0.2607 | |
|  Romania | 19% |  5% |  19% | 0.2362 | VAT was reduced to 5% on solar PV, solar thermal panels and heat pumps. |
|  Slovakia | 20% |  20% |  20% | 0.1796 | |
|  Slovenia | 22% |  9.5%  22% |  22% | 0.1390 | If you buy a heat pump through qualified installers, the VAT rate is reduced to 9.5%. |
|  Spain | 21% |  21% |  5% | 0.3071 | A reduced rate of 10% VAT can be applied to heat pump projects that fulfil certain requirements. The VAT rate on electricity is normally 21%, but has been lowered to 5% until end 2023. |
|  Sweden | 25% |  25% |  25% | 0.2525 | |
|  Switzerland | 7.7% |  7% | €0.216 / kWh | 0.212 CHF (€0.22) | |
|  UK | 20% |  0% |  5% | £0.294 (€0.34) | Water source heat pumps are currently excluded from the reduced rate. |

*Source: Eurostat

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The **European Heat Pump Association (EHPA)** represents the European heat pump sector. Our over 190 members include heat pump and component manufacturers, research institutes, universities, testing labs and energy agencies.


EHPA advocates, communicates and provides policy, technical and economic expertise to European, national and local authorities, and to our members.

We organise high level events and manage or partner in multiple projects.

We work to shape EU policy that allows the heat pump sector to flourish, and to become the number one heating and cooling choice by 2030. Heat pumps will be a central part of a renewable, sustainable and smart energy system in a future decarbonised Europe.

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