

## Climate Change Levy Q&A

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### What is CCL?

The Climate Change Levy (CCL) is a tax on electricity, gas and solid fuels, introduced with the hope of encouraging businesses to become more energy efficient and use energy from renewable sources.

### How much is CCL?

As of 1 April 2013 CCL rates will be the following:

- Electricity: 0.524p/kWh
- Gas: 0.182p/kWh

For example, if you use 25,000kWh of electricity per annum at any one site, you will be charged £131 CCL for that year. (Alternatively, £45.50 for the equivalent kWh of gas).

CCL rates are liable to change at the beginning of each tax year.

### Why do I have to pay CCL?

All business should pay CCL as, like VAT, it is a tax on a commodity. CCL relief is available under certain criteria. There is no sliding scale for CCL eligibility. A business premises is either fully eligible for, or exempt from CCL.

### How do I know if I qualify for CCL exemption?

There are several criteria that you could fall into that would make you CCL exempt;

- 1) You are using electricity generated from **renewable**<sup>1</sup> sources. This will automatically be CCL exempt, however VAT is still charged at 20%.
- 2) **De Minimis** – according to HMRC small (*de minimis*) usage of fuel and power may automatically be treated as supplies for domestic use, even where they are supplied to a business. The *de minimus* limits are as follows:
  - Electricity: a metered supply to a person at any premises where the electricity (together with any other electricity provided to him at the same premises by the same supplier) is provided at a rate not exceeding 1,000kWh per month (**12,000kWh per annum**)
  - Gas: a supply by the same supplier at a rate of not more than 4,394kWh per month to one customer at any one of the customer's premises. (**52,728kWh per annum**)

As these supplies are treated as 'domestic' usage by suppliers, they are also charged a 5% VAT.

- 3) That **at least 60%** of the **overall usage** is used for any of the below :
  - 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 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

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<sup>1</sup> Renewable energy is defined as electricity generated from environmental sustainable sources, e.g. Hydro, Biomass, Photovoltaic sources etc.

- 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 hostel, inn or similar establishment)
- Self catering holiday accommodation
- A caravan or a houseboat

Where supplies are made to a customer whose premises are put partly to domestic or **non-business charity** use:

- If the domestic or charity use is at least 60% of the total use, the whole supply can be treated as such and is not subject to CCL
- If the domestic or charity use is less than 60% of the total use, CCL must be applied to that portion that does not qualify for relief.

4) **Self-supplies by auto generators** – an auto-generator is someone who generates electricity primarily for their own use and has title to the input and output of fuel. Primarily for ‘their own use’ means that they use at least 75% of the generated output. If you are an auto-generator then your supply of electricity is exempt from CCL unless :

- It is a supply of electricity produced from a CHP where the power output certified as Good Quality is scaled back, and
- The quantity of electricity supply exceeds any qualifying power output limit certified under the CHPQA programme

Where the self-supply meets the exemption, it is the input fuel (if it is a taxable commodity) rather than your electricity output that is liable to CCL.

If you do not use all the electricity yourself that is generated but pass some to the electricity utility for onward supply to a third-party consumer, you may obtain relief on the input fuel that is used to generate any electricity that will not be self-supplied. Relief from CCL on the input fuel is obtained via the certification process.

### **I don't think I should be paying CCL, what should I do?**

If you believe you are paying CCL when you should be exempt, please contact Torse and we would be happy to discuss any queries with you. If you are CCL exempt we can contact your current suppliers to ensure that you are no longer charged CCL and we can arrange for you to be reimbursed for the incorrect charges incurred. We have experience in claiming CCL payments back, not just from your existing supplier, but from previous suppliers and can assist you in claiming up to 3 years of payments back.

### **How can I claim back CCL payments?**

Torse can assist you in claiming up to 3 years of CCL payments back from both existing and previous suppliers. We would require copy bills indicating the incorrectly charged CCL payments for the periods from each of your suppliers and a valid letter of authority allowing us to liaise with suppliers on your behalf. This is part of the service that we offer at Torse and will not incur any charge.

If you have any questions or queries and wish to discuss anything further please do not hesitate to contact Torse on 0115 853 2120. Whilst we are here to assist you in any way possible regarding your energy portfolio, we are not certified tax experts and any advice we offer should not override that from certified individuals or bodies such as an accountant or tax advisor.

Further, detailed information regarding CCL can be found at :

[http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?\\_nfpb=true&\\_pageLabel=pageExcise\\_ShowContent&propertyType=document&id=HMCE\\_CL\\_000181#P11\\_306](http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?_nfpb=true&_pageLabel=pageExcise_ShowContent&propertyType=document&id=HMCE_CL_000181#P11_306)