



Under embargo until: 00.01hrs Monday 13th February, 2012

GOVERNMENT URGED TO AXE VAT FROM HOUSEHOLD ENERGY BILLS

uSwitch.com is urging the Government to axe VAT on household energy bills. The move would help to stem the growing tide of people going cold in the winter, take 250,000 households out of fuel poverty^[1] and would see energy zero-rated for VAT, the same as water:

- **Unfair tax: consumers don't pay VAT on water and basic foods, but are charged 5% VAT on their energy bills^[2]**
- **The average household energy bill is an eye-watering £1,259 a year – axing the VAT would save households £60 a year^[3]**
- **Energy suppliers have cut their prices by £34 a year^[3], but removing VAT would cut bills by a further £60 a year. Consumers would see their bills decrease by almost £100 in total**
- **Axing the VAT on energy bills would take 250,000 households out of fuel poverty^[1] and could be a lifeline for the 19.5 million households (75%) that have gone without heating at some point this winter to keep their energy costs down^[4].**

Independent price comparison and switching service, uSwitch.com, is calling on the Government to axe the VAT on household energy bills. The demand comes as the number of people rationing their energy use in winter because of cost has soared to over eight in ten (83%)^[5], sparking health and quality of life concerns. The move would enable many more to keep warm in the winter and snatch 250,000 households from the grip of fuel poverty^[1].

Household energy is an essential, but unlike water and basic foods it is not zero-rated for VAT. Instead, every household is paying 5% VAT on their energy bills^[2]. With the average household energy bill now an eye-watering £1,259 a year, axing the VAT would save households £60 a year on average^[3]. Not only is this almost double the £34 a year price cut recently announced by energy suppliers^[3], but when added together it means consumers would see their bills tumble by almost £100 a year.

This could be a lifeline for the 19.5 million or three quarters of households (75%) that have gone without heating at some point this winter to keep their energy costs down^[4]. Reducing bills by 5% by axing the VAT could allow them to keep warmer in the winter or to invest in energy efficiency measures which would help to reduce their energy costs even further.

Axing the VAT on household energy bills would cost the Government an estimated £1.6 billion^[6]. However it would put money back into people's pockets, benefitting almost every household including the 'squeezed middle', the 'working poor' and those in fuel poverty, without the need for means testing. The cost of energy is the top household worry for consumers (90%) ahead of the rising cost of food (77%) and mortgage payments (42%)^[7] so axing the VAT and cutting bills by 5% would provide immediate relief.

Ann Robinson, Director of Consumer Policy at uSwitch.com, says: "Removing VAT from our energy bills would help to alleviate the growing financial pressure that consumers are coming under, enable many more to keep warm in the winter and snatch 250,000 households from the grip of fuel poverty.

"Energy bills and the cost of keeping warm in winter are a major concern for consumers. Cutting bills by 5% by removing VAT would provide immediate relief and would send a clear message to the 'squeezed middle', the 'working poor' and the fuel poor that their concerns are not going unheard.

"When added to the recent £34 price cut made by suppliers, the removal of VAT would see household energy bills tumble by almost £100 a year. Consumers could use this money to make their homes more energy efficient which would bring their bills down even more. I would urge the Government to consider this step as it is a win-win for them and for consumers and could potentially kick-start a more energy efficient future."

For more information visit www.uSwitch.com or call 0800 093 06 07

-Ends-

For more information please contact:

Jo Ganly, uSwitch.com on 0207 802 2915 or joganly@uswitch.com

Nithiya Gnanathas, Lansons Communications on 0207 566 9716 or nithiyag@lansons.com

Notes to editors:

1. Fuel Poverty Advisory Group estimated that for every 1% rise in energy prices a further 45,000 – 60,000 households are pushed into fuel poverty (Chapter 7: FPAG 9th Annual Report). Total fuel poverty numbers come from research conducted by YouGov on behalf of uSwitch.com – from this uSwitch.com calculates that 6.9 million households are in fuel poverty. Taking a mid-point of 52,500 from the FPAG's estimate, removing VAT would take 250,000 households out of fuel poverty.
2. <http://www.hmrc.gov.uk/vat/forms-rates/rates/goods-services.htm#4>;
3. Based on a medium user customer using 3,300 kWh of electricity and 16,500 kWh of gas, on a standard dual fuel plan, paying quarterly by cash or cheque with bill sizes averaged across all big six suppliers and all regions.
4. Research conducted with the uSwitch.com Consumer Opinion Panel amongst 1,225 respondents in January 2012. Previous research from last year was also conducted with the uSwitch.com Consumer Opinion Panel amongst 1,557 respondents between 27th December, 2010 and 3rd January, 2011. 2010 research was conducted with the uSwitch.com Consumer Opinion Panel amongst 4,734 respondents between 1st March and 5th March, 2010. In response to: 'Have you gone without heating this winter to keep energy costs down?' 25.3% said never, 47.7% said occasionally, 24.4% said regularly and 2.6% said always. This adds up to 74.7% who went without heating at some point. Assuming that each person represents one household and on the basis of 26 million households in the UK we estimate that 19,500,000 households have gone cold at some point this winter. This total is over 5.3 million people greater than the estimate based on the comparable 2011 research which concluded that 54.5% of people went without heating during the winter, equivalent to 14,170,000 households.
5. See point 4 above for details of research. In response to: 'Have you cut down or rationed your energy use this winter due to the increased cost of energy?' 83.3% said 'yes'.
6. On the basis of 26 million households (26m x £60 = £1.56 billion).
7. Research carried out in September 2011 with the uSwitch.com Consumer Opinion Panel amongst 2,295 adults with bill paying responsibility for gas and electricity in their household. When asked: 'Thinking of the rising cost of living, which FOUR of the following worry you the most?', the answers were: Food bills 77.00%, Council tax 58.90%, Energy bills 89.60%, Petrol 73.50%, Train fares 11.60%, Mortgage/rent payments 41.90%, I am not worried 3.80%.

About us

uSwitch.com is a free, impartial, online and telephone-based comparison and switching service, helping consumers compare prices on gas, electricity, water, heating cover, home telephone, broadband, digital television, mobile phones and personal finance products including mortgages, credit cards, current accounts and insurance. In 2010 uSwitch.com celebrated ten years of saving customers money.

uSwitch.com is the first comparison website to achieve the Plain English Campaign's Internet Crystal Mark, which is recognised as a standard that a website has clear language, is accessible and easy to use, and has been tested on a sample of its users.

uSwitch.com is dedicated to helping consumers save money whether they have internet access or not. It offers a dedicated call centre, manned by uSwitch customer service representatives, as well as a freepost 'Send us your bill' service, whereby customers can post their latest energy bills with their telephone number to FREEPOST USWITCH, to get a free call back from a dedicated customer services representative. The service is also available via fax, email and post. Consumers should fax 0203 214 8417, email CustomerServices@uswitch.com or write to Customer Services, uSwitch.com, Centro 3, 19 Mandela Street, London, NW1 0DU with their postcode and usage details.

uSwitch.com is owned by Forward Internet Group Limited, a privately funded collection of internet-based businesses focused on consumer engagement and innovation.