

## **TAX BREAKS TO CREATE 1M GREEN HOMES**

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**Sunday Times, 1<sup>st</sup> September 2002**

THE prime minister plans to commit Britain to building 1m “green homes” within a decade to help sustainable development. The idea is that the construction or refurbishment of houses and flats would attract tax breaks if they met “sustainability” targets — and penalties if they failed.

It could mean reduced stamp duty for green homes, support for “sustainable refurbishment”, cuts in Vat for insulation, draught proofing and double glazing materials — and the imposition of Vat on new homes that miss targets.

The aim would be a generation of green homes with features such as solar panels, bathwater recycling barrels, triple glazing and insulation. New homes would use timber from sustainable forests and environmentally friendly paint.

The plan is expected to be announced this autumn, although British sources at the Earth Summit on sustainable development in Johannesburg last week outlined ways in which Britain might meet the target of 1m “green” homes. A spokesman said Tony Blair was “enthusiastic” and added: “The government supports the principle.”

The idea of a target of 1m sustainable homes was first put to the government by WWF, the environmental group, and was well received by John Prescott, the deputy prime minister, who has responsibility for planning and housing. He is due to launch a housing and communities initiative this year incorporating a 15-year plan for housing that is likely to include the new environmental standards.

Britain has about 25m homes, which use about a third of the country’s energy production. Most are highly inefficient at using and saving energy.

The Building Research Establishment, a government agency that advises on construction standards and building regulations, says homes built with new techniques can use as little as 10% of the energy needed by traditional buildings.

It has set a new voluntary construction benchmark — the Eco Homes standard. This assesses homes on measures ranging from energy efficiency and water usage to proximity to public transport, and classes them on a four-point scale: pass, good, very good and excellent.

Government advisers say that because about 150,000 homes are built and hundreds of thousands refurbished each year, it should be possible to meet the 1m target — provided the right mix of penalties and rewards can be found.

The Treasury has received a report from the environmental consultant ERM which looked at how taxation could be used to promote sustainable housing. The ideas selected include: Removing the zero Vat rating on new homes. Homes meeting the Eco Homes “good” standard would be taxed at 5% but those which failed would be hit by the full 17.5% rate. Removing Vat from insulation, triple glazing and other materials that save energy. Removing or reducing stamp duty on homes that meet the Eco Homes “good” standard. Tax breaks for sustainable

refurbishment projects.

Other possibilities include reducing council tax for homes that meet the standard — but that would involve assessing every household in Britain.

A Treasury spokesman confirmed that the report, commissioned by WWF, was being considered: “We announced in the last budget that we would look at using the tax system to promote energy efficiency.”

The Department of Trade and Industry is also considering ways to promote solar energy by increasing the amount householders get for selling electricity they generate to the national grid. At present it is about 30% of the normal retail cost.

Several trials of sustainable housing in Britain show that such homes cost about 30% more than conventional ones. Most of the extra cost is because the buildings are “one-offs” where design and construction do not benefit from economies of scale.

Experts say that once green home building is widely taken up, costs will fall to about 5% above those of traditional construction — a difference easily wiped out by Vat reform.