

Briefing Note 5

VAT and Building

This is an internal document and represents the views of Haysom Ward Miller Architects.

VAT and Building

The application of VAT in construction is a complicated field, with differing types of work either attracting the normal full rate of VAT, charged at a reduced rate of 5% or even zero-rated. This can obviously make a huge difference to your available construction budget. The following HM Customs and Revenue web page gives a useful brief overview:

<http://www.hmrc.gov.uk/vat/sectors/builders/construction.htm>

The definitive guide to the different rates of VAT in construction is the latest issue of HM Revenue and Customs Notice 708. At January 2010, the latest Notice was the February 2008 issue, which can be downloaded here:

http://customs.hmrc.gov.uk/channelsPortalWebApp/downloadFile?contentID=HMCE_CL_000513

You should obviously refer to the latest documents directly but, in summary, the following types of construction may attract a lower rate of VAT:

Construction Service	Rate of VAT	Further Information
Construction of new qualifying dwellings (such as a completely new house or flat) and communal residential buildings, and certain new buildings used by charities.	0%	Section 3 of Notice 708
Conversion for a housing association of a non-residential building into a qualifying dwelling or communal residential building.	0%	Section 6 of Notice 708
Other conversions of premises to a different residential use (for example, combining two existing dwellings to make one).	5%	Section 7 of Notice 708
Renovation or alteration of empty residential premises.	5%	Section 8 of Notice 708
Approved alterations to listed dwellings and communal residential buildings, and certain listed buildings used by charities.	0%	Section 9 of Notice 708
Alterations to suit the condition of people with disabilities.	0%	Notice 701/7 VAT reliefs for people with disabilities



Construction Service	Rate of VAT	Further Information
Installation of energy saving materials; and grant funded heating system measures and qualifying security goods.	5%	Notice 708/6 Energy- saving materials
Development of residential caravan parks.	0%	Section 20 of Notice 708
First time gas and electricity connections.	0%	Notice 701/19 Fuel and power
Home improvements on domestic property situated in the Isle of Man (at the time of writing, this reduced rate is due to end on 31 December 2010).	5%	Isle of Man VAT Notice Home improvements available from: Isle of Man Customs and Excise Advice Centre, Custom House, North Quay, Douglas, Isle of Man, IM99 1AG (Phone: 01624 648130) (Website: www.gov.im/treasury/)
Installation of mobility aids for the elderly for use in domestic accommodation	5%	Section 26 of Notice 708

Notes

- The provision of architectural, surveying and other consultancy services is always standard rated for VAT.
- The reduced rates above will generally only apply to building materials and construction, and not to fixtures and fittings. The definitions of what is defined as a building material (or an "article ordinarily incorporated in a building") are very specific - for instance, floor tiles or linoleum can be reduced rated, but carpets normally are not. For more information, see Section 13 of the VAT Notice 708

