**Bringing empty properties back into use – now less taxing!**

**VAT Discounts on Renovating Empty Homes**

Bringing empty properties back into use can be costly particularly when extensive renovations are required. Domestic building work, including repair, maintenance and improvements are usually charged at the standard rate of vat – 20%.

There are several circumstances in which VAT on building works is charged at a reduced rate or even zero-rated. If you are intending to renovate an empty home, it is important that you understand them.

It is quite common for builders to be unaware of the different VAT rates that could apply and may lead to you paying more than you need to. It can be difficult to reclaim any over payment.

The full guidance on VAT on building and construction is available from HMRC in [HMRC notice 708](http://www.hmrc.gov.uk/vat/sectors/builders/construction.htm) , if you are employing builders, and [HMRC notice 431c](https://www.gov.uk/government/publications/vat-refunds-for-diy-housebuilders-claim-form-and-notes-for-conversions-vat431c) if you are carrying out work on a DIY basis.

[HMRC notice 708](http://www.hmrc.gov.uk/vat/sectors/builders/construction.htm)

**VAT – residential properties empty for at least two years.**

With effect from 1 January 2008, renovations and alterations to residential properties that have been empty for at least 2 years will be eligible for a reduced VAT rate of 5%. This applies to labour and materials associated with repairs, alterations, construction of associated garages and hard landscaping.

To minimise VAT paid, careful consideration needs to be given to who supplies materials and it will usually pay to work with a VAT-registered builder, as the saving of 15% material supplied and fixed (Labour and materials) will usually outweigh the saving of 20% VAT on labour. There is no equivalent reduced VAT rate for DIY work HMRC Notice 708

**VAT – Conversion of non-residential properties empty for ten years or more**

A developer or house owner can claim back all VAT charged on the renovation of a building that has been empty for 10 years or more, once the dwelling is sold. If the house owner retains the property for private residential use, they can make a claim for the VAT under the DIY Builders Refund Scheme available from Customs and Excise.

A ‘non-residential conversion’ is considered to take place when either: –

the building (or part) being converted has **never** been used as a dwelling or number of dwellings for a ‘relevant residential purpose’, or in the 10 years immediately before the sale or long lease the building (or part) has not been used as a dwelling or number of dwellings or for a ‘relevant residential purpose’

The building must be converted into a building either ‘designed as a dwelling or number of dwellings’ or intended for use solely for a ‘relevant residential purpose’. Details of what constitutes a “relevant residential purpose” can be found on the HMRC website [www.hmrc.gov.uk](http://www.hmrc.gov.uk/) VAT notice 708 paragraph 14.6

Examples of a ‘non-residential conversion’ include the conversion of

* a commercial building (such as an office, warehouse, shop),
* an agricultural building (such as a barn), or
* a redundant school or church,

into a building ‘designed as a dwelling or number of dwellings.’ The conversion of a garage, occupied together with a dwelling, into a building designed as a dwelling is not a non-residential conversion.

You may be required to show that that the building has not been lived in during the 10 years immediately before you start your work. Proof of such can be obtained from Electoral Roll and Council Tax records, utilities companies, Empty Property Officers in local authorities, or any other source that can be considered reliable. If you hold a letter from an Empty Property Officer certifying that the property has not been lived in for 10 years, you do not need any other evidence. If an Empty Property Officer is unsure about when a property was last lived in, s/he should write with his/her best estimate. Custom & Excise may then call for other supporting evidence [HMRC notice 708](http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?_nfpb=true&_pageLabel=pageLibrary_PublicNoticesAndInfoSheets&id=HMCE_CL_000513&propertyType=document).

**VAT and the installation of certain energy efficiency measures**

In addition, reduced rates of VAT apply to a number of types of building works, such as installing energy saving measures, adapting a building for a disabled person or works to convert a non-residential building into a home.
A reduced VAT rate applies to the installation of certain specified energy-saving materials in residential accommodation. The reduced rate applies to installation of:

* Central heating and hot water controls
* Draught stripping
* Insulation
* Solar panels
* Wind Turbines
* Ground source heat pumps
* Air source heat pumps
* Micro combined heat and power units; and
* Wood-fuelled boilers

For more information is available from the HMRC [website notice 708/6](https://www.no-use-empty.org.uk/wp-content/uploads/2015/11/Energysavingmaterials-updated-Notice-708-6.pdf)

**Change in the number of dwelling units**
Where renovation work to a building in residential use results in a change in the number of dwelling units – for instance, dividing a house into flats, or knocking two small cottages or a number of flats into a single dwelling – the work involved is eligible for the reduced rate of VAT of 5%.

As with a dwelling empty for two years or more, there is no equivalent reduced VAT rate for DIY work HMRC notice 708

**New dwellings**
The supply of new dwellings is zero rated for VAT and so the supply of eligible labour and materials involved in the construction of a new dwelling can be zero rated HMRC notice 708. If you are not VAT registered (self-build) you can make a one‐off claim for the refund of VAT on eligible materials using HMRC notice 431C

Should you require any further guidance, then kindly contact your **Empty Property Officer** Empty-Homes@tamworth.gov.uk