

RENOVATING YOUR EMPTY HOME

VAT DISCOUNTS FOR 2 YEARS



If you are bringing a home that has been empty for two years or more back into use, then you may be eligible for a reduced rate of VAT (currently 5%) on renovation work.

The following information provides a summary of the discount as set out in HM Revenue & Customs Notice 708, and is correct as of June 2017. Financial advice should be sought before starting any work.

Summary of discount

You must use a VAT-registered contractor to be eligible for the discount.

Your contractor can charge VAT at a reduced rate of 5% if they are renovating or altering an empty home that has not been lived in during the 2 years immediately before work starts.

You will need to ensure that your contractors understand the reduced VAT rate rules so that they invoice you correctly.

Type of properties which qualify

What types of home can be included?

- Single household dwellings;
- Multiple occupancy dwellings, such as bed-sits;
- A building (or part of a building) which, when last lived in, was used for a relevant residential purpose
- A building (or part of a building) which, when last lived in, was one of a number of buildings on the same site that were used together as a unit for a relevant residential purpose

The premises being renovated or altered must be used solely for a 'relevant residential purpose' after the works have been carried out.

The two year rule

The renovations or alterations can only be reduce-

rated if in the two years immediately before works start, the premises has not been lived in.

The property must have been continuously empty for the two years prior to the work starting.

Types of occupation which can be ignored are:

- illegal occupation by squatters; and
- non-residential use, such as storage for a business.

If the dwelling has been lived in on an occasional basis (for example, because it was a second home) in the 2 years immediately before work starts then services cannot be charged at reduced rate.

If, once the works have started, the dwelling is lived in again, the work is still eligible for the reduced rate.

The occupier must, however, move in on a day **after** you start your work.

But if, when your work starts, the premises are being lived in, or have been lived in during the previous two years, all of your work is standard-rated.

Proof of two years empty

Your contractor needs to be able to show HM Revenue & Customs evidence that the property has been empty for two years. Your Empty Property Officer can provide a letter documenting the last date of occupation of the property.

Where an Empty Property Officer is unsure, HM Revenue & Customs may accept a best estimate and call for other supporting evidence.

Eligible Works

Any works of repair, maintenance (such as redecoration), or improvement (such as the construction of an extension or the installation of double glazing) carried out to the fabric of the dwelling can be reduce rated.

In addition, works can be reduced rated if they are within the immediate site of the dwelling and are in connection with the:

- means of providing water, power, heat or access;
- means of providing drainage or security; or
- provision of means of waste disposal.

If premises consisting of a single household dwelling, multiple occupancy dwelling, or building used for a relevant residential purpose are renovated or altered at the reduced rate, contractors can also reduce- rate the:

- renovation of a garage,
- construction of a garage, or
- conversion of a building into a garage

Provided:

- the work is carried out at the same time as the renovation or alteration of the premises concerned, and
- the garage is intended to be occupied with the renovated or altered premises.

Ineligible Works

All other services are standard-rated. For example:

- the installation of goods that are not building materials, such as carpets or fitted bedroom furniture;
- the erection and dismantling of scaffolding;
- the hire of goods
- landscaping; and
- the provision of professional services, such as those provided by architects, surveyors, consultants and supervisors.

Definitions

Single household dwelling

A dwelling that:

- is designed for occupation by a single household either as a result of having been originally constructed for that purpose (and has not been subsequently adapted for occupation of any other kind), or as a result of adaptation;
- consists of self-contained living accommodation;
- has no provision for direct internal access to any other dwelling or part of a dwelling;

- is not prohibited from separate use by the terms of any covenant, statutory planning consent or similar provision; and
- is not prohibited from separate disposal by the terms of any covenant, statutory planning consent or similar provision.

House in Multiple Occupation

A dwelling that:

- is designed for occupation by persons not forming a single household either as a result of having been originally constructed for that purpose (and has not been subsequently adapted for occupation of any other kind), or as a result of adaptation;
- is not to any extent used for a relevant residential purpose;
- consists of self-contained living accommodation;
- has no provision for direct internal access from the dwelling to any other dwelling or part of a dwelling;
- is not prohibited from separate use by the terms of any covenant, statutory planning consent or similar provision; and
- is not prohibited from separate disposal by the terms of any covenant, statutory planning consent or similar provision.

Relevant residential purpose

Use as:

- a) a home or other institution providing residential accommodation for children,
- b) 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 mental disorder,
- c) a hospice,
- d) residential accommodation for students or school pupils,
- e) residential accommodation for members of any of the armed forces,
- f) a monastery, nunnery or similar establishment, or
- g) an institution which is the sole or main residence of at least 90 per cent of its residents; but not used as a:
 - hospital or similar institution,
 - prison or similar institution, or

- hotel, inn or similar establishment.

Additional Information

HMRC Notice 708

<https://www.gov.uk/government/publications/vat-notice-708-buildings-and-construction/vat-notice-708-buildings-and-construction>

<https://www.gov.uk/vat-builders/houses-flats>

Or for further detailed advice, call:

HMRC VAT general enquiries: 0300 200 3700

Contact the Scottish Empty Homes Partnership

- Email: emptyhomes@shelter.org.uk
- Telephone: 0344 515 1941