

## VAT Discount for Properties Empty for 2 Years

### Introduction

A registered contractor may be able to charge VAT at a reduced rate of 5% if they are renovating or altering an eligible dwelling that has not been lived in during the 2 years immediately before work starts.

### What types of properties can be included?

- Single household dwelling
- Multiple occupancy dwelling, 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 recipient of your supply must confirm this by giving you a certificate.

### Proof of 2 Years Empty

Evidence can be obtained from the local authority's Empty Property Officer. (Evidence from this source alone may be sufficient.) The 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.

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.

### Living in the Property

The property can be lived in while the works are being completed, as long as no one lives in the property before the work starts. As an exception, however, if a 'single household dwelling' is being renovated for an owner-occupier services are reduced rate when certain conditions are met:

- In the 2 years immediately before the occupier acquired the dwelling it had not been lived in.
- No renovation or alteration had been carried out in the 2 years before the occupier acquired the dwelling (ignoring any minor works that were necessary to keep the dwelling dry and secure).
- Services are supplied to the occupier – subcontractors must standard-rate their work.
- Renovations must take place within one year of the occupier acquiring the dwelling.

### What Can be Reduced Rated

Other than installing goods that are not building materials, 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 reduced.

Works within the immediate site of the dwelling can be reduced that 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 the 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.

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.

### **A 'single household dwelling' is a dwelling that:**

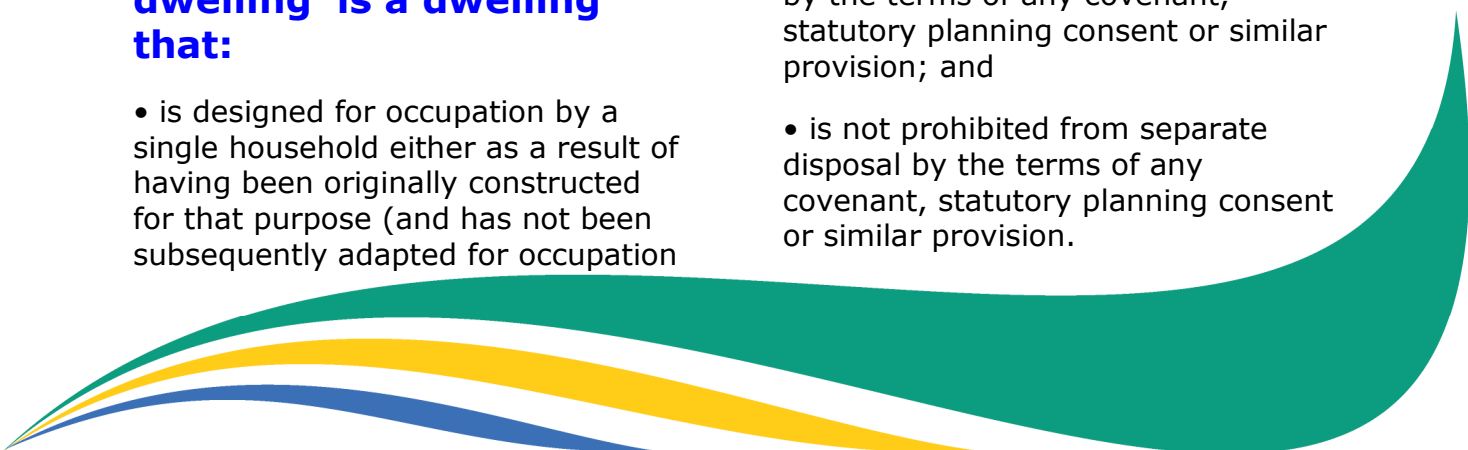
- is designed for occupation by a single household either as a result of having been originally constructed for that purpose (and has not been subsequently adapted for occupation

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.

### **A 'house in multiple occupation' is 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' means 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 percent of its residents; but not use as a:

- hospital or similar institution,
- prison or similar institution, or
- hotel, inn or similar establishment.

For Additional Information please see:

**[www.hmrc.gov.uk](http://www.hmrc.gov.uk)**

Or call the advice line on 0300 200 3700.

**This information has been taken from the HMRC website and further detailed advice should be sought directly from the HMRC before commencing with any works**

## **For further information**

**Please contact Helen Forman, Senior Housing Strategy and Supply Officer**

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