

Renovating your empty home

Refunds of VAT for residential properties empty for 10 years

About this leaflet

Are you renovating, or considering renovating, an empty residential property?

Has the property been empty for 10 years or more?

Is the property going to be used for residential purposes by yourself, your family or your relatives (either as a family home or holiday property)?

If the answer to each of these questions is Yes, then this information leaflet is for you.

The leaflet explains how VAT is charged on building materials, goods and services used in the repair and renovation of long term empty properties. It is important to read this leaflet in full as you may be entitled to pay zero VAT on most of these.

The leaflet summarises key information in;

- VAT form 431c and Notes: VAT Refunds for DIY Housebuilders; and
- HM Revenue & Customs VAT Notice 708: Buildings and Construction;

It sets out;

- What information you will need to provide to prove that your property has been empty for ten years or more;
- What periods and types of occupation that may be excluded from the calculation of the ten years empty period;
- What goods and services the exemptions apply to;
- How to claim your VAT refunds;
- Time limits for claiming VAT refunds (three months from completion of works) and;
- Other discounted rate VAT products and services that may be available to you.

The leaflet is a guide that hopefully makes the official form and guides easier to follow and to understand. However, you are still advised to get independent specialist VAT advice if you are unsure about what VAT you should expect to pay, or how to claim back VAT you have paid, after you have read it.

Summary

If you are bringing a residential property that has been empty for more than ten years back into use as a dwelling, you may be eligible for zero-rated VAT on building materials you have purchased and on the services of conversion.

This is because VAT rules that apply to the conversion of a non-residential property into a dwelling also apply to residential properties that have been empty for ten years or more.

Your eligibility for zero-rated VAT, and how to claim it, will depend on what you intend to use the property for after renovation.

The information in this leaflet is primarily aimed at people who intend to bring the property back into use for it to be used, either by themselves or their relatives, as a family home for residential or holiday purposes.

If you intend to sell or let or use the property for any business purpose (this includes properties that you intend to use for both business and residential purposes i.e. if you are self-employed and the home is also your main office address), please see the sections at the end of this form which will give you information on where to find out about VAT discounts or exemptions that may apply to you.

We have attempted to set out information on what discounts and exemptions may be available, and how to claim them, in as straightforward a way as possible. However, the leaflet is a summary document and we would advise you to seek specialist VAT or accountancy advice if you remain unsure about either eligibility for discounts and exemptions, or whether suppliers have charged VAT at the correct rate for your project.

Establishing if a property has been empty for 10 years – Points to note

HMRC will require evidence to prove that the property has been empty for ten years or more. This can usually be obtained from the Empty Homes Officer, in the form of a letter documenting the last date of occupation of the property. More information about this is included later in this leaflet.

VAT Notice 708: Buildings and Construction provides further information on what is and is not included by HMRC when establishing whether a residential property has been empty for 10 years. The main points from the notice are summarised below;

Occupation excluded from calculation of 10-year period

In accordance with 5.3.4 of Notice 708, when considering when a dwelling was last lived in you can ignore any:

- illegal occupation by squatters;
- occupation by 'guardians'; and
- use that is not residential in nature, such as storage for a business.

The notice defines a 'guardian' as;

'A person who is installed in a property by the owner or on behalf of the owner to deter squatters and vandals. He or she may pay a low rent on terms that fall short of a formal tenancy. Alternatively, he or she may be paid to occupy the property.

A 'guardian' is to be distinguished from a caretaker or housekeeper who lives permanently in the property. Property occupied by a caretaker or housekeeper is likely to be furnished throughout.'

Occupation included in calculation of 10-year period

5.3.4 of Notice 708 states that;

- if the dwelling has been lived in on an occasional basis (for example, because it was a second home) in the ten years immediately before you start your work you cannot zero-rate your supply.

This means that if the property you are renovating was a second home, it is important that you establish whether it has been lived in at any time during this period, and note that this may mean that you are not eligible for VAT exemption.

In these instances, you may however, be eligible for a discounted rate of VAT where the property has been empty for over 2 years (please see our leaflet: Renovating your empty home: VAT discounts for 2 years for further information.)

Although this leaflet is intended for people looking to renovate residential properties, rather than non-residential properties, it is worth noting that in some instances the use of non-residential buildings may lead to them being classed as residential. This may affect your entitlement to zero-rated VAT.

6.3.1 of Notice 708 sets out a list of such instances. These include;

- public houses and shops where any private living accommodation for the landlord, owner, manager or staff is not self-contained - normally because part of the living accommodation, such as the kitchen, is contained within the commercial areas rather than the private areas.

If the property you are renovating has had a use that falls into the category covered by 6.3.1 during the last ten years you should not assume that the use has not been residential in nature. The same may apply to any other non-residential use.

If you are in any doubt, the starting point should always be to establish whether anyone has lived in the property, other than squatters or guardians, during the last ten years. If they have, you should seek professional advice on whether this is included or excluded from calculations of when the property was last lived in.

A final, important, point to note in relation to what is and is not included in calculating the 10-year period is included in Note 11 to VAT form 431c: VAT Refunds for DIY Housebuilders. This note states;

- The 10-year rule requires that the building has not been lived in for at least 10 years before the work started. This means that you cannot live in the building at any time before the work starts as this will be counted as falling within the 10-year period.

Therefore, **do not move into the property before you start work on it.**

What you can and can't claim for

The notes to form 431c sets out list of goods and services that you can claim for. The notes go on to include similar, smaller, lists of goods and services you cannot claim for.

These are indicative, rather than exhaustive, lists, and are designed to give you a broad indication of what is exempt from VAT. However, it may still be advisable to check whether a good or service is eligible for zero rated VAT if you cannot see it on either list.

In addition to goods and services that cannot be claimed for, the form also sets out a list of building types where goods and services are not eligible for zero-rated VAT. These are set out at the end of this section of this leaflet and at Note 19 of form 431c.

Goods and materials that can be claimed for

Section 3 of the notes to form 431c notes six conditions that goods must meet in order for you to be able to claim VAT refunds for them. These are that;

- The articles are 'incorporated' in the building (or its site)
- The articles are incorporated 'in the course of the construction' of the building
- The articles are 'ordinarily' incorporated by builders into that type of construction
- Other than kitchen furniture, the articles are not finished or prefabricated furniture, or materials for the construction of fitted furniture
- Other than certain exceptions, the articles are not electrical or gas appliances
- The articles are not carpets or carpeting materials.

The section states that building materials are 'incorporated' in a building (or its site) when the article is fixed in such a way that its fixing or removal would either:

- require the use of tools, or
- result in either the need for remedial work to the fabric of the building (or its site), or substantial damage to the goods themselves.

It goes on to give the following list of items as examples of what is accepted as being 'ordinarily' incorporated in a building (or its site):

- Air conditioning
- Bathroom accessories, such as fixed towel rails, toilet roll holders, soap dishes, etc.
- Building materials that make up the fabric of the property (for example, bricks, cement, tiles, timber, etc.)
- Burglar alarms
- Curtain poles and rails
- Decorating materials
- Doors
- Dust extractors and filters (including built-in vacuum cleaners)
- Fencing permanently erected around the boundary of the dwelling
- Fireplaces and surrounds
- Fire alarms
- Fitted kitchen furniture
- Flooring materials (other than carpets and carpet tiles)
- Gas and electrical appliances when wired-in or plumbed-in that are:
 - designed to heat space or water (including cookers designed to have a dual purpose (to heat the room or the building's water), or
 - designed to provide ventilation, air cooling or purification, or dust extraction
- Guttering
- Heating systems
- Immersion heaters, boilers, hot and cold water tanks
- Letter boxes
- Lifts and hoists
- Light fittings (including chandeliers and outside lights)
- Plumbing installations, including electric showers and 'in line' water softeners
- Power points (including combination shaver points)

- Sanitary ware
- Saunas
- Shower units
- Smoke detectors
- Solar panels
- Solid fuel cookers and oil-fired boilers
- Turf
- Plants and trees (to the extent that they are detailed on a landscaping scheme approved by planning permission)
- TV aerials and satellite dishes
- Ventilation equipment (including cooker hoods)
- Window frames and glazing
- Wiring (including power circuits and computer, phone and TV cabling).

Goods that you cannot claim for

Examples of goods that are not classed as being 'incorporated' in a building or its site (and therefore not eligible for zero rated VAT) are listed as:

- A gas/range cookers unless they are solid fuel, oil-fired or designed to heat space or water (to be classified as such they must be fitted to a heating module or boiler)
- Free-standing and integrated appliances such as: cookers, fridges, freezers, dishwashers, microwaves, washing machines, dryers, coffee machines
- Audio equipment, (including remote controls) built-in speakers, intelligent lighting systems, satellite boxes, freeview boxes, CCTV, telephones
- Consumables (for example, sandpaper, white spirit)
- Electrical components for garage doors and gates (including remote controls)
- Bedroom furniture (other than basic wardrobes which meet all four criteria set out in 13.5.2 of Notice 708) bathroom furniture (for example, vanity units, free-standing units)
- Curtains, blinds, carpets (unless they are integral, that is, blinds inside sealed double-glazed windows)
- Garden furniture, ornaments and sheds

Services that can be claimed for

The following are listed in the notes to form 431c as services you can claim VAT refunds for;

- Works to the fabric of the building
- Works closely connected to the above works, such as works in the grounds, for example, laying drains

Services that cannot be claimed for

The services the form lists as being ineligible for zero rated VAT are;

- Professional and supervisory services, including the fees of architects and surveyors, and other fees for management, consultancy, design and planning
- The hire of plant, tools and equipment (such as generators, scaffolding, skips, temporary fencing)
- Haulage (including muckaway)
- Separate invoices for transport and delivery.

The Notes advise that for further information on what you can or cannot claim for you should go to **www.hmrc.gov.uk** or contact the VAT helpline on **0300 200 3700**.

Buildings where goods and services are ineligible for zero-rated VAT

Point 19 of the notes advises that;

- in general, a claim cannot be made for any work that has been carried out on other buildings within the site as these do not form part of the eligible building work. This means you cannot claim VAT back on materials and services incurred on the construction/ conversion of:
 - Rooms above or attached to a detached garage
 - Detached workshops or store rooms
 - Sheds
 - Stables
 - Detached swimming pools
 - Annexes (such as 'granny' annexes) - that cannot be disposed of or used separately from another dwelling because the annexe is not 'designed as a dwelling' in its own right.

The notes advise that the only outbuilding that can be counted as part of an eligible building project is } a garage, providing:

- It is constructed or converted at the same time as the building
- It is intended to be used at the same time as the building

Reduced-rated VAT – deductions made at point of purchase/payment

It is important to note that most conversion services are reduced-rated. What this means is that suppliers are able to apply a reduced rate of VAT at the time when they invoice you for the services. The reduced rate of VAT is 5% whereas standard VAT is payable at 20%.

If suppliers incorrectly charge standard rate for a service that should be provided at reduced rate, you cannot claim the overpayment back from HMRC. Instead you must claim this back from the supplier at the earliest possible opportunity.

If you are still in the process of converting the property, you should take the approach that prevention is better than cure and ensure that suppliers charge the correct rate of VAT from the beginning.

If goods and services have already been provided we would advise you to check whether it was charged at the correct rate before submitting the claim and going back to the supplier where it appears that it wasn't.

You should do this promptly, remembering that the three months allowed to claim VAT from HMRC (see Claiming your VAT below) will not be extended where you are waiting to hear back from a supplier.

How to find out whether a service should be provided at reduced-rate VAT

In establishing what services suppliers should, and should not, apply each VAT rate to, the notes to Form 431c give some guidance.

The notes state that

- works to the fabric of the building can be supplied at the reduced rate of VAT; while
- works closely connected to the above works, such as works in the grounds, for example, laying drains' can be supplied either at the standard rate or the reduced rate of VAT.

Page 3 of the notes adds;

- Supply-only materials that you buy from a retailer will have VAT charged at the standard rate.
- Two rates of VAT may apply to the costs of services supplied to you by a VAT-registered builder or contractor. These will either be a standard rate, or a reduced rate.
- Eligible building materials that a business both supplies and installs follow the same VAT liability as the service. This means that if the service is reduced-rated then the building materials will be too.'

While this information is a useful starting point, it should be read in conjunction with Notice 708: Buildings and construction which provides further, more detailed, information on this topic. You may also wish to refer your builders to this form to ensure that they understand the reduced VAT rate rules so that they invoice you correctly.

Claiming your VAT

You can claim back VAT that has been charged at the correct rate by completing the DIY Housebuilders Scheme Claim form 431C referred to in this guide after all of the work you will be claiming for is completed.

It is important to note that there is a time limit for making a claim. A claim must be made within 3 months of receiving your completion certificate, and you should send the completion certificate with your claim form.

In addition to your completion certificate, if the works have required planning permission or a building warrant, you must also submit copies of the relevant consents and approved drawings.

You should also be aware from the outset that the form asks for detailed information on the works carried out and requires you to submit the receipts for all the goods and services for which you are claiming.

It is therefore very important that you keep track of payments for all the eligible goods and services: to claim the refund you need to have copies of all the receipts, and all invoices must be made out to the same name.

Evidence from Empty Homes Officer to be submitted with your claim

When submitting your claim, you must also provide evidence that no-one has lived in the property for 10 years or more. Evidence for this can be obtained from the Empty Homes Officer, in the form of a letter documenting the last date of occupation of the property.

However, please do not leave this until the last minute. The Empty Homes Officer may not have this information readily to hand and they may need to make further enquiries, for example with utility companies or through Electoral Roll data searches.

These can take time, therefore, please do not wait until you receive your completion certificate before asking, and definitely don't leave it till you are ready to submit your claim.

Property purchased to rent out

If you are planning to rent the refurbished property you will not be eligible to claim zero-rated VAT under the 10-year rule. You may however be eligible to pay VAT at 5% under rules that apply to properties that have been empty for more than 2 years. Our leaflet 'Renovating your empty home: VAT reduction for residential properties empty for 2 years' has information on discounts you may be eligible for and how to claim them.

Property purchased for sale

If you plan to sell the property, you will not be able to use form 431c. However, at the point of sale you may be entitled to register for VAT and then to recover some or all of the VAT incurred on the costs of the project under the provisions in VAT Form 708.

For further information on this please read form 708 and/or contact the HMRC helpline on **0300 200 3700**.

Additional information & claim forms

You can obtain detailed advice from HR Revenue & Customs by phoning the HMRC: **0300 200 3700**

Or contacting the HMRC at:
www.gov.uk/

or

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

<https://www.gov.uk/government/publications/vat-refunds-for-diy-housebuilders-claim-form-and-notes-for-conversions-vat431c>

It is recommended that you obtain professional financial advice prior to starting any work.

Contact your local Empty Homes Officer

Many of the 32 Scottish Local Authorities have dedicated Empty Homes Officers who will also be able to provide you with advice and information and can also provide you with the proof that HMRC will require to establish that the property you're repairing or renovating has been vacant for 10 years or more.

Details of all current Empty Homes Officers can be found at:

<https://emptyhomespartnership.scot/empty-homes-officers/>

Contact the Scottish Empty Homes Partnership

You can contact the Scottish Empty Homes Partnership to discuss any of the above options. The Empty Homes Adviser can give you more information about how your local council may be able to help you.

Email: emptyhomes@shelter.org.uk

Telephone: **0344 515 1941**