

# Renovating your empty home

## VAT reduction for residential properties empty for 2 years

### About this leaflet

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

Has the property been empty for between 2 and 10 years?

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

This leaflet is also for you, if the property you wish to renovate has been empty for longer than 10 years, and you intend to sell or rent the property rather than use it either as a family home or holiday property for yourself, your family or your relatives?

The leaflet summarises key information in; HM Revenue & Customs VAT Notice 708: Buildings and Construction. It explains how you may be eligible to pay a reduced rate of VAT in connections with services, goods and materials used in the renovation.

Here's why the leaflet is important and could help to save you money;

The reduced rate of VAT is 5%. This compares to standard rate VAT, which is currently 20%. So if the property you are renovating qualifies for reduced rate VAT it is important that you make sure contractors are aware of this before they start work on your property and invoice you for goods and services accordingly.

However, it is also important to note that there are restrictions on types of property, end use of property and services and goods, that are eligible for reduced rates of VAT. Some properties may not be eligible and, in all cases, you can only receive reduced rate VAT if a contractor is working on your property. If you are buying building materials but installing them yourself, then you will have to pay standard rate VAT.

This can make a large difference to the costs of renovation.

For example, standard rate VAT on goods and services that cost £10,000 would add a further £2,000 to the total cost (20% of 10,000), whereas reduced rate VAT on the same goods and services would only be £500 (5% of 10,000)

**Because of this, we recommend that in addition to reading this leaflet, you seek specialist VAT advice before purchasing a property that you intend to renovate. If you have already purchased the property, we recommend seeking specialist VAT advice before starting any work.**

This will help you to ensure you can receive any discounts you may be eligible for, and also that you know how much the renovation will cost and can budget accordingly.

### Summary

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

There is no requirement for you, or any member of your family, to live in the property after renovation, and it will remain eligible for reduced rate VAT even if you are intending to renovate the property to sell or rent on the open market.

However, to access reduced rate VAT, you must use a VAT-registered contractor and the contractor has to provide services for you. This means that they have to work on the property and not just provide the goods and materials for you to install.

Please also note, that if the property you are renovating was empty for more than ten years, and you intend to bring it back into use as a family home for residential or holiday purposes for yourself or your relatives you may be eligible for zero rated VAT. Please see our leaflet: Renovating your empty home – VAT discounts for 10 years empty residential properties.

## Type of properties which qualify

Section 8 of Notice 708 sets out four types of property where renovations or alterations are eligible for reduced rate VAT. These are;

- a single household dwelling
- a multiple occupancy dwelling
- a building (or part of a building) which, when last lived in, was used for a relevant residential purpose and after the renovation or alteration will be used solely for such a 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, and after the renovation or alteration will be used solely for such a purpose.

A house in multiple occupation is classed as a multiple occupancy dwelling, for the purposes of Section 8.

The likelihood is that the property you are renovating will fall into one of the first two categories, and so you will be eligible for reduced rate VAT on relevant goods and services.

However, it is important to note that a property covered under these two categories may also have been used for a 'relevant residential purpose' and if it was, it falls within the third and fourth category. This may mean it is not eligible for reduced rate VAT because of the requirement for it to continue being used for such a purpose after refurbishment. If you are unsure about whether your property will be eligible, you should seek specialist VAT advice.

## How to establish if your property qualifies for reduced rate VAT?

In order to establish whether the property you are looking to renovate falls within one of these categories, you should first look at the definitions of single household dwelling, house in multiple occupation and multiple occupancy dwelling set out below. If your property is covered under these definitions, you are at least half way there.

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

- not to any extent used for a relevant residential purpose
- 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
- 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
- is not prohibited from separate disposal by the terms of any covenant, statutory planning consent or similar provision.

A multiple occupancy dwelling is normally a dwelling where an occupant will have some personal space and facilities (such as a bedroom or a bedsit) and will share other facilities with other occupants. Examples of such dwellings are a block of bedsits or a cluster flat.

Multiple occupancy dwellings do not include:

- single household dwellings with accommodation for au pairs, family guests or 'live-in' lodgers
- hotels, guest houses, and similar establishments providing accommodation for holiday makers, travellers and similar temporary guests

If your home is covered by any of the above definitions, it should be eligible for reduced rate VAT as long as it was not also used as a 'relevant residential purpose'. This is defined in 14.6.1 of notice 708 as buildings that are or were;

- 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,
- 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

If the property was used for any of these purposes, then it will only be eligible for reduced rate VAT if it continues to be used for one of those purposes. So, if you intend to live in the property yourself, or to rent or sell it on the open market, you will not be able to pay reduced rate VAT.

The same applies where any part of the building was used for a relevant residential purpose. So, for example, a schoolhouse used by a caretaker that forms part of a building that was used as residential accommodation for students or school pupils, will not be eligible for reduced rate VAT if you intend to live in the property yourself, or to rent or sell it on the open market.

## Establishing if your property has been empty for 2 years

Your contractor may need to provide HMRC with evidence to prove that the property has not been lived in during the 2 years immediately before they start work on your property.

8.3.2 of notice 708 states that '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.'

It goes on to note that, "If you hold a letter from an Empty Property Officer certifying that the property has not been lived in for 2 years, you do not need any other evidence."

"If an Empty Property Officer is unsure about when a property was last lived in, they should write with a best estimate. We may then call for other supporting evidence."

Notice 708 also provides further information on what is and is not included by HMRC when establishing whether a residential property has been empty for two years.

The main points from the notice are summarised below;

### Occupation excluded from calculation of 2-year period

In accordance with 8.3.3 of Notice 708, when considering when a dwelling was last lived in you can ignore any:

- illegal occupation by squatters;
- occupation by 'guardians'; and
- non-residential use, 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 2-year period

8.3.3 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 two years immediately before you start your work you cannot reduced-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 reduced rate VAT and will have to pay VAT at standard rate.

## Can you live in the property before it is renovated?

Section 8.34 of Notice 708 states that;

- 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.

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 two-year period and standard rate VAT will be payable. The first day that you can live in the property is the day **after** the work starts.

However, there is one important exemption to this, that may apply to most people renovating an empty home. This is that if you are renovating or altering a 'single household dwelling' you remain eligible for reduced rate VAT from a contractor provided that;

- No renovation or alteration had been carried out in the two years before you acquired the dwelling (with the exception of any minor works that were necessary to keep the dwelling dry and secure), and;
- The contractor is carrying out the work within one year of you acquiring the dwelling.

Therefore, unless you are renovating or altering a 'single household dwelling' that you acquired within the last twelve months do not move into the property before the contractor starts work on it.

## How to claim the reduced rate VAT

The reduced rate of VAT will be charged by the contractor themselves, so it is important that you let the contractor know that the property has been empty for two years or more before they commence work or order any goods or materials for your home.

The discount on VAT is applied directly by the contractors – it is not something that you claim back from HMRC. Therefore, you will need to ensure that your contractors understand the reduced VAT rate rules so that they invoice you correctly.

## What goods and services you can and can't claim for

### Services/works

Section 8.4 of the notice sets out the work that can be reduced rated for VAT purposes. Whilst this is extensive, it does not cover all services, so it is worth noting the following information.

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 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.

Contractors can also reduce-rate the:

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

Provided that 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 however.

This includes:

- 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.

### Building materials/ Goods

You will note from the above that goods that are not building materials cannot be reduced rated. However, you may be surprised at what is classed as building materials.

Section 13 of the notice defines building materials as articles that meet all of the following conditions;

- The articles are 'incorporated' in the building (or its site)
- 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 (please note: other forms of flooring or floor covering, such as linoleum, ceramic tiles, parquet and wooden floor systems are building 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 listed below 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).

## Additional information & claim forms

You can obtain copies of notice 708 at <https://www.gov.uk/government/publications/vat-notice-708-buildings-and-construction/vat-notice-708-buildings-and-construction>

Or via the HMRC at:  
[www.gov.uk/](http://www.gov.uk/)

You can also obtain detailed advice from HM Revenue & Customs by phoning the HMRC: **0300 200 3700**, but please note as contractors apply reduced rate VAT themselves, rather than it being something that members of the public claim back from HMRC, it is possible that HMRC operatives may be unable to help or provide full information.

We therefore recommend that you also ask any contractor you are using, or considering using, to clarify what rate of VAT they will be charging you, and that you obtain specialist VAT advice if you are unsure of the rate of VAT that you should expect to pay on services and goods.

## 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](mailto:emptyhomes@shelter.org.uk)

Telephone: 0344 515 1941