

# VAT in **BLACK & WHITE**

## PROPERTY VAT UPDATE: December 2009

### Introduction

Berthold Bauer is the Construction VAT & Tax specialist, working with Architects, Quantity Surveyors and Contractors throughout the United Kingdom.

'VAT in **Black & White**' provides simple guidance on recent VAT and Tax news which affects the construction industry.

This issue

Increase in VAT rate	Fire-proofing doors
Works for the disabled	Charity 'non-business' use
Energy saving materials	VAT seminar

### Increase in VAT Rate

The temporary reduction in VAT to 15% will revert to 17.5% on January 1<sup>st</sup> 2010. Services you provided prior to the January 1<sup>st</sup> – but are invoiced after January 1<sup>st</sup> can be charged at the 15% rate. For services that span the rate change you may choose to apportion the VAT charge on your bills to reflect both the 15% & 17.5% rate – provided it is on a fair and reasonable basis. It is not appropriate to advance bill for services using the 15% rate.

### Works for the Disabled

A reduced VAT charge of 5% is applicable to certain construction services undertaken for disabled persons. The VAT relief needs to be instigated via the contractors, and as with Listed Buildings & Conversions; the onus is on the property owner to provide a substantiated audit trail and evidence. The extent of the remit is narrow but broadly permits widening of doors and corridors and the formation of ground floor bathrooms and bedrooms. Works that go beyond the immediate needs of the disabled person will attract VAT in full.

### Energy Saving Materials

A reduced rate of VAT is also available for specific energy saving materials when 'supplied and fitted' by a contractor. The list has been enhanced over the years but is by no means exhaustive. The key queries answered by our Helpline Service over the recent months concerns boilers and we can confirm that modern boilers will not qualify for relief unless they are wood-fuelled or CHP units. We accept that modern boilers are vastly more energy efficient than previous models but they are not specifically listed as 'energy saving materials' by HMRC.

### Fire-proofing Doors

A number of companies now offer a product into the Listed Building market that effectively converts ordinary doors into

fire-rated doors, whilst maintaining the aesthetics of the original doors. From a VAT perspective, although this is probably viewed as an 'alteration' – something that in principle attracts a Zero Rate of VAT for Listed Buildings – it is unlikely that it would require Listed Building Consent. To that end VAT will be charged in full. It is imperative that VAT relief is only applied to works requiring LBC; and not works granted consent by default within an overall planning submission.

### Charity 'non-business' use

In the same way that Conversions and Listed Buildings have multiple criteria that must be adhered to for VAT relief, construction work for charities and churches also has an added complication. Being a Charity is in itself not sufficient as the property must be used *solely* for a charitable purpose. By default this excludes space rented to others or for that matter any commercial income generation (profit is not a factor in deciding whether income is 'commercial'). Clients should therefore consider whether it is in their financial interest to make the space available free of charge to ensure VAT savings are not sacrificed. There is a concession whereby nominal 'business use' can be ignored, currently 10% of total use. This concession will be amended to 5% of total use in July 2010 and Charities should bear this in mind when formulating their business case for imminent schemes.

### VAT Seminar

Our recent seminar hosted at RIBA London was a resounding success and has resulted in a phenomenal amount of VAT queries. It is apparent that all the Architects attending found it incredibly useful and have subsequently been abusing our Free VAT Helpline to its full extent! The aim of this service is to ensure the advice you provide to your clients is accurate and reliable. We make no charge for these informal enquiries and are happy to confirm our answers by immediate email reply. [If you are interested in attending the next VAT Seminar at RIBA London please contact us.](#) There is no charge levied for attendance to this CPD qualifying event.

*The above information is for guidance purposes only and should not be acted on without proper consideration of the particular circumstances or seeking Professional advice. Every effort has however been made to ensure statements are as accurate as possible*

If you are affected by these changes or have any VAT enquiries, Berthold Bauer are happy to offer their FREE expert VAT advice

Telephone: **0871 288 7266**

Email: [vat@bbvat.co.uk](mailto:vat@bbvat.co.uk)

*Whilst the initial advice we provide is free of charge, there is a nominal cost of 10p per minute for the actual call. Mobile operators may charge a higher sum.*