

2007 Pre-Budget Report and Comprehensive Spending Review



PBRN 25

9 October 2007

VAT AND HOUSING

Who is likely to be affected?

1. Construction contractors and property owners

General description of the measure

2. Secondary legislation will be introduced to ensure that renovations and alterations to residential properties that have been empty for at least two years will be eligible for a reduced VAT rate of 5 per cent. Currently, such properties must have been empty for at least three years to qualify for the reduced VAT rate.

Operative date

3. This measure will have effect on and after 1 January 2008.

Current law and proposed revisions

4. The current law is set out in Note 3 to Group 7 of Schedule 7A to the Value Added Tax Act 1994.
5. This provides that VAT is chargeable at a 5 per cent reduced rate on works of renovation or alteration to residential properties that have been empty for at least three years.
6. This measure will extend eligibility for this reduced VAT rate, so that it will apply to works of alteration or renovation carried out to residential properties that have been empty for at least two years.

Further advice

7. If you have any questions about this measure, please contact Steve Lumby on 020 7147 0409 (email: steve.lumby@hmrc.gsi.gov.uk). Information about Pre-Budget Report measures is available on the HM Revenue & Customs website at www.hmrc.gov.uk