

From mountain to sea

Empty Homes/ 10 Years Reduced VAT Rate



This leaflet summarises the key information in HM Revenue & Customs Documents Notice 708, and is correct as at June 2017. Financial advice should be sought before starting any work.

Summary

If you are bringing a property that has been empty for more than ten years back into use as a dwelling, you may be eligible for zero rated VAT. The amount of discount available depends on how you plan to use the refurbished property.

The discounts work in two stages:

Stage 1

All properties that have been empty for 10 years are eligible for this discount:

- Any work carried out and/or materials supplied by a VAT-registered contractor are charged at a reduced VAT rate of 5%
- Note that there is no discount at this stage for any building materials you purchase yourself (e.g. from a supplier or builder's merchant). These are charged at the standard VAT rate of 20%

Stage 2

If you plan to occupy the property yourself or to sell it, you will be eligible for an additional discount:

- After the works have been completed, you can claim back the VAT that you paid for the refurbishment work
- This includes both the reduced-rated VAT charged by your VAT-registered contractor and the standard VAT charged on any building materials that you purchased yourself.

To successfully claim the discounts, it is important to ensure that your project and the information you provide comply with the rules set out by the HMRC. It is important to be aware of these discounts before you start work, as it is difficult to reclaim overpaid VAT.

Types of Buildings which Qualify

The 10-year rule requires that the empty dwelling has not been lived in for at least 10 years before the work started.

The discount also applies to the conversion of a previously non-residential property into a dwelling.

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.

A 'guardian' is 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.

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.

If the property starts being 'used as dwelling' or for a 'relevant residential purpose' whilst your work is being carried out, then any work that takes place after that point is not zero-rated.

Property Use

The end use of the property will determine how much VAT reduction you are eligible for, and which route you use to claim your discount.

If you propose that you or your family will live in the property, either full time or as a second home, you are eligible for a VAT exemption under the DIY Housebuilder Scheme. See [VAT 431C form](#). *How to claim a VAT refund for converting and existing building into a dwelling.*

A conversion for the purposes of this scheme, includes the renovation or alteration that creates a dwelling (as well as the restoration to use, as a dwelling,) a residential property that has not been lived in for 10 or more years.

Claiming your reduced and zero-rated VAT

Stage 1: VAT reduced to 5%

For your contractor to be able to charge you the reduced VAT rate, you must provide them with evidence to show that no-one has lived in it for 10 years or more.

Evidence can be obtained from the Empty Homes Officer, in the form of a letter documenting the last date of occupation of the property.

You will need to ensure that your builders understand the reduced VAT rate rules so that they invoice you correctly. You may wish to refer them to [Notice 708: Buildings and construction](#).

Stage 2: VAT exemptions – claiming back costs

The exemptions are claimed back after work is completed.

It is 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.

- *Self-build / owner-occupiers*

If you are refurbishing the property for yourself or your family to occupy, you reclaim your VAT costs using the DIY Housebuilders Scheme Claim [VAT form 431C](#)

The form asks for detailed information on the works carried out. You need to fill in the form and submit the receipts for which you are claiming.

If the works have required planning permission or a building warrant, you must also submit copies of the relevant consents and approved drawings, as well as a copy of the completion certificate.

A claim must be made within 3 months of receiving your completion certificate, and you should send the completion certificate with your claim form.

- *Developing for sale*

If you plan to sell the refurbished property, at the point of sale you are entitled to register for VAT and then to recover the VAT incurred on the costs of the project.

For advice on how to do this you can contact the HMRC helpline on 0300 200 3700

- *Developing for rent*

Note that if you plan to rent the refurbished property, you are not entitled to claim back any VAT you have paid on works or materials

- 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

Eligible Works

Types of goods and services that can be claimed for

You can only claim for building materials that are 'incorporated' in a building (or its site).

This happens 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

Goods that can be claimed for

The items listed below are accepted as being 'ordinarily' incorporated in a building (or its site).

This is not a complete list but gives an idea of what is allowed:

- 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
- Light fittings (including chandeliers and outside lights)
- Plumbing installations, including electric showers and 'in line' water softeners
- Power points (including combination shaver points)
- Smoke detectors
- Solar panels
- Solid fuel cookers and oil-fired boilers
- TV aerials and satellite dishes
- Ventilation equipment (including cooker hoods)
- Window frames and glazing
- Wiring (including power circuits and computer, phone and TV cabling)

Services that can be claimed 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

Ineligible Works

Types of goods and services that cannot be claimed for:

You cannot claim for building materials that are not 'incorporated' in a building or its site, i.e. where its' fixing or removal would not require the use of tools or cause the need for remedial works to the building.

Goods that you cannot claim for:

This is not a complete list but gives you an idea of what is not allowed.

- 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)
- Curtains, blinds, carpets

Services that cannot be claimed for:

- 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)

Other Buildings

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 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

Additional information & claim forms

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

Or contacting the HRMC 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 Aberdeenshire Council if you have an empty home and would like further advice:** emptyhomes@aberdeenshire.gov.uk

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