

From mountain to sea

Empty Homes/ 2 Years Reduced VAT Rate



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

The following information provides a summary of the discount as set out in HM Revenue & Customs Notice 708, and is correct as of June 2018. Financial advice should be sought before starting any work.

Summary of discount

You must use a VAT-registered contractor who may be able to apply the VAT reduction.

You will need to ensure that your contractors understand the reduced VAT rate rules so that they invoice you correctly.

If you carry out work to an existing building you will normally have to charge VAT at the standard rate. You may, however, be able to charge VAT at the reduced rate of 5% if you are renovating or altering:

- an eligible dwelling that has not been lived in during the 2 years immediately before your work starts
OR
- premises intended for use solely for a 'relevant residential purpose' that have not been lived in during the 2 years immediately before you start your work

Type of properties which qualify

- 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 1 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

End use for the property

The premises must be being renovated to a dwelling

OR

used solely for a 'relevant residential purpose' after the works have been carried out.

The two year rule

The renovations or alterations can only be reduce-rated if in the two years immediately before works start, the premises has not been lived in. There is one exception to this which can be found at 8.3.4 of the notice.

The property must have been continuously empty for the two years prior to the work starting.

Types of occupation which can be ignored are:

- illegal occupation by squatters
- non-residential use, such as storage for a business.

If the dwelling has been lived in on an occasional basis (for example as a second home) in the 2 years immediately before work starts then services cannot be charged at reduced rate.

If, once the works have started, the dwelling is lived in again, the work is still eligible for the reduced rate.

The occupier must, however, move in on a day **after** you start your work.

But 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. There is one exception to this which can be found at 8.3.4 of the notice.

Proof of two years empty

Your contractor needs to be able to show HM Revenue & Customs evidence that the property has been empty for two years. Your Empty Property Officer can provide a letter documenting the last date of occupation of the property.

Where an Empty Property Officer is unsure, HM Revenue & Customs may accept a best estimate and call for other supporting evidence.

Eligible Works

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 reduce 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.

If premises consisting of a single household dwelling, multiple occupancy dwelling, or building used for a relevant residential purpose are renovated or altered at the reduced rate, contractors can also reduce- rate the:

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

Provided:

- 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.

Ineligible Works

All other services are standard-rated. For example:

- 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.

Definitions:

Single household dwelling

- 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
- 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

‘Relevant residential purpose’ relates to premises used as a home or other institution providing residential accommodation for client groups. See sub paragraph 14.6.1 for full definition.

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

Additional Information

HMRC Notice 708: buildings and construction

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

HMRC VAT General Enquiries Tel: 0300 200 3700

✉ **Contact Aberdeenshire Council if you have an empty home and would like further advice:** emptyhomes@aberdeenshire.gov.uk

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