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For full details please see our website at  
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The information in this leaflet is a general description only and specific advice should always be obtained before taking any action.

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**Henderson Black & Co**

CHARTERED ACCOUNTANTS

**RENOVATION OF EMPTY  
RESIDENTIAL BUILDINGS**

**5% REDUCED RATE OF VAT**

ANSTRUTHER  
CUPAR  
PITTENWEEM  
ST ANDREWS



## RENOVATION OF EMPTY RESIDENTIAL BUILDINGS

From 12 May 2001 the renovation or alteration of a single household dwelling that has not been lived in for at least three years qualifies for VAT at a reduced rate of 5%.

From 1 June 2002 the reduced rate of 5% VAT was extended to the renovation or alteration of a multiple occupancy dwelling or of a building to be used solely for a relevant residential purpose provided the premises have not been lived in for three years or more.

Both these reliefs have been changed from 1 January 2008 to require only two years empty.

Buildings eligible for the reduced rate of 5%:

- ❖ **Single household dwellings** i.e. a dwelling that is designed for occupation by a single household, consists of self contained living accommodation, has no provision for direct internal access to any other dwelling and is not prohibited from separate use or disposal by planning consent or any other terms.
- ❖ **Multiple occupancy dwellings** are normally dwellings consisting of a number of bed-sits. It does not include hotels or guests houses.
- ❖ **Buildings for a relevant residential purpose** mean a home providing residential accommodation for children, students or school pupils or care homes for the elderly etc.

Qualifying services supplied in the course of the renovation or alteration and which are related to the renovation or alteration are subject to the reduced rate of VAT at 5% provided:

- ❖ The empty home condition is met.
- ❖ Any statutory planning consent or building control approval needed for the work has been granted.
- ❖ For relevant residential buildings a certificate has been granted by the customer to the supplier confirming the building will be used solely for a relevant residential purpose.

### Empty home condition:

To fulfil the empty home condition the premises must not have been lived in for a period of two years ending with the commencement of the work.

A single household dwelling may be occupied during the renovation provided:

- ❖ It has not been lived in, or renovated, for two years prior to being purchased.
- ❖ The new owner arranges the renovation.
- ❖ The renovation is carried out within one year of the day of the acquisition.

In determining whether or not a property has been lived in any non-residential use such as storage for a business can be ignored.

Before the work starts, and before it can be supplied at the reduced rate of VAT, a supplier must have evidence showing the property has not been lived in for the period of two years immediately prior to work commencing.

### Qualifying services:

- ❖ Carrying out work to the fabric of the building (including building materials incorporated into the building).
- ❖ Carrying out work within the immediate site to provide access to the premises, provide water, power, drainage or security.

All other services, including the provision of professional fees such as architects' fees, are standard rated. The installation of goods that are not building materials e.g. carpeting, white goods, fitted furniture are also standard rated.

### Part qualifying services:

Where only part of a supply of services qualifies under the above provisions the supply can be apportioned between VAT at the reduced rate and VAT at the standard rate.