



## VAT | listed building relief

### team



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### who needs to know?

Developers, contractors, builders, property owners and their agents dealing with residential and charitable properties.

### the advantages to you

Relief is given for an "approved alteration" or a "substantial reconstruction" of a "listed building". The relief entitles certain work to be undertaken/received at the zero-rate of VAT, instead of the standard rate. It also, in certain circumstances, entitles those who have received such works at the standard rate, to reclaim the VAT.

The relief is immediate therefore once "listed building consent" has been given and the work falls within an "approved alteration" or "substantial reconstruction", the relief may be applied.

### what you need to know

You need to be able to define what a "listed building" is. A "listed building" is a building of historic or architectural importance, which is specifically protected. The VAT relief only includes residential buildings, most churches, certain charity buildings, and some monuments. For the purposes of this relief, a "listed building" must be included on the Statutory List of Buildings of Special Architectural or Historic Interest.

You need to be able to identify if you are undertaking an "approved alteration" or a "substantial reconstruction" of a "listed building". These are described below.

An "approved alteration" is defined as an alteration, which affects the character and "fabric" of a "listed building" and such works are zero-rated. The fabric itself is difficult to define, but it relates to basic structures for example walls and roofs as well as stairs. It could also extend to items such as mains electrical wiring subject to further rules, and it would be advisable to seek professional advice on items, which you think, might qualify. This is because the zero-rating does not apply to incidental alterations, as you will see below.

A "substantial reconstruction" usually relates to a complete gutting of a "listed building" but it can include substantial building works if those works include more than 60% "approved alterations". The grant of a major interest in a "substantially reconstructed" building is zero-rated, thereby enabling VAT to be reclaimed by the owner.

## practical pitfalls

Assuming that a building is listed without checking the Statutory List of Buildings of Special Architectural or Historic Interest. This could arise because listed building consent is sometimes given for a partial or total demolition of unlisted buildings in conservation areas.

Assuming that an alteration is an "approved alteration". This mistake is quite easy, as in most cases, the answer is not black and white and a judgement may have to be made. This should be based on a sound understanding of the rules and knowledge of recent case law.

In one case, certain internal alterations were excluded from the zero-rate because the listed building consent did not cover the work carried out for those alterations. From this we can see that specifying such alterations is important, because the additional alterations will not qualify for the zero-rating. Consent must be obtained in writing before the works commence.

In another case, the importance of confirming which works relate to a protected building is highlighted. The tribunal held that a new greenhouse attached to a wall was an alteration to the building, but not new stables and a pool because they were not sufficiently attached to the protected building.

The zero-rating of an approved alteration does not apply to services from certain people and in one case, window joinery was not zero-rated, as the supply was not fitted by the builder.

Before builders zero-rate the alterations, they should request a copy of the "listed building consent", as evidence that alterations qualify for the zero-rate. Builders should also check to see if the alterations fall within the "listed building consent", and if in doubt seek professional advice, as they are ultimately responsible for charging the correct amount of VAT. Alterations which arise simply as a result of a need for repairs do not usually attract the zero rate relief.

## what we can do to help

haysmacintyre can advise on the listed building relief, and taking your circumstances into consideration, advise whether the relief is applicable and the best way to maximise it. This is charged on an hourly basis.

## about haysmacintyre

**haysmacintyre, Chartered Accountants and business advisers, works with over 550 charities and not for profit organisations in the UK and overseas. Our services include the full range of audit, tax, VAT and comprehensive advisory services. Our multi-disciplinary specialist team has extensive sector experience working for a diverse range of charities. We are based in one location which ensures an integrated and comprehensive approach to our clients' requirements.**

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