

Budget 2012: Protected Buildings



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Where the owner of a listed building (as defined in the VAT Act 1994) carries out approved alterations to that building the building materials and construction services supplied in the course of those alteration works are zero rated for VAT purposes. This is particularly important for charities as it ensures there is no irrecoverable VAT cost.

However, in the 2012 Budget, the government proposed the removal, from 1 October 2012, of zero-rating on such projects. Transitional measures will preserve zero-rating for contracts entered into before 21 March 2012, under which supplies are made up to 20 March 2013.

HMRC advises that this new measure removes the 'perverse incentive' to alter listed buildings rather than repair them and this will ensure that going forward all alteration works will receive the same tax treatment. At the moment the repair of listed buildings is standard rated for VAT.

This new measure will potentially affect all listed buildings including private residential houses and buildings used by charities. Listed places of

worship will also be affected by the change although HMRC advises that that places of worship form only a small minority of the total number of listed properties in the UK which are predominantly used by Christian denominations. HMRC also advises that in order to mitigate the impact on these groups, the Department for Culture Media and Sport is expanding the existing Listed Places of Worship Grant Scheme which refunds the VAT on repairs and maintenance works so that it will include approved alterations to listed buildings.

If you would like to talk to us about the issues raised by this note, please contact:

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