

Approved alterations to listed buildings

A recent VAT Tribunal case involved Lord and Lady Richmond who appealed because Customs said that they had to pay £9,000 vat on the cost of works to their listed building in converting a utility room to a guest room.

Improvements to a listed building are zero rated if they require and have planning permission and are not repairs. However there is a lot of confusion because for VAT purposes the listed building definition includes only relevant charitable buildings, relevant residential buildings and dwellings.

This building in this case was a dwelling but the actual work was to a utility room that was separate from the house, and the utility room was converted into a guest bedroom and the Tribunal said that it therefore failed the test of being designed to remain or become a dwelling.

Small differences in detail often prove costly.

Pub chains and partial exemption

A client formerly operated several public houses but latterly held them as investment properties. Consequently the income was rental income derived in part for letting the pubs and part for the domestic accommodation.

However the client had not been making its partial exemption adjustments. Indeed it had never been aware of the necessity to perform such an adjustment which was based on the fact that they had exempt income from the domestic staff accommodation.

If you let property without charging VAT, it is important to review your partial exemption position.