

Housing associations and zero rating the construction of relevant charitable office buildings - Update**Riverside Housing Association Ltd v HMRC (CH/2006/APP/19)****Summary**

Charitable housing associations have taken over many of the statutory duties of local authorities with regard to the provision of housing for the disadvantaged. While the burden of such activity has moved onto them, not only have they not been allowed to retain the preferred taxation status previously enjoyed but HM Revenue & Customs have taken a strict view on the zero rating provisions, in particular with regard to 'relevant charitable purpose' relief.

Background

On 30 June 2006, the High Court continued its hearing of the housing association's appeal against the Tribunal's decision in *Riverside Housing Association Ltd (19341)*. The Tribunal had held that the making of profits in the course of activity carried out by the housing association over a period of time (even though these profits were not distributed) was an "almost conclusive indication" that the activity had the characteristics of a 'business'. Consequently, the supply to the association of a new office building could not be zero-rated, as it was not for use "otherwise than in the course or furtherance of a business".

It is the opinion of 4 Eyes Ltd that although unfavourable to charitable RSLs this interpretation is correct. 4 Eyes Ltd can advise on all aspects of VAT and property.