

**Grant of a zero rate major interest to connected parties
HMRC BB54/08**

Revenue & Customs Brief 54/08 states that HMRC will not seek to challenge planning arrangements involving the zero-rated sale (or grant of a long lease) of a new dwelling to an associate in order to preserve input VAT recovery on construction costs. This planning enables the associate to rent the dwelling for a period and then make a second, exempt, freehold sale - activities which would trigger input VAT adjustments if done by the builder. This is, however, only one of the available options and builders should seek professional advice on the potential VAT (and other tax) implications when faced with these circumstances.