

Landlord and tenant VAT

In a recent Tribunal case, the court was required to determine a question of law arising in proceedings between the claimant tenant and the defendant landlord. The property consisted of a dwelling house, buildings and 225 acres of agricultural land. The landlord had opted to charge VAT on what amounted to 90% of the rent payable. The tenant failed to pay the rent and therefore the landlord sent him a notice to pay in a sum expressed to be “inclusive of VAT”. As tenant did not pay the rent, the landlord served a notice to quit under the Agricultural Holdings Act 1986. The tenant demanded arbitration. It was common ground that a notice to pay rent which demanded a greater sum than which was due would be invalid. The court said that the VAT element of the sum demanded was part of the rent so that the notice to pay did not overstate the amount due and was valid. If an all-inclusive rent was agreed and the rate of VAT subsequently changed, the amount of the change was added to or deducted from the consideration for the supply. The same applied where a landlord and tenant agreed a rent at a time when no VAT was chargeable but VAT subsequently became chargeable.