

WELSH EMPTY PROPERTY INITIATIVE

“HOUSES INTO HOMES”

Bringing empty properties back into use – now less taxing!

Bringing empty properties back into use can be costly particularly when extensive renovations are required. Domestic building work, including repair, maintenance and improvement is usually charged at the standard rate of 20%. However, there are a variety of VAT concessions available to renovators, self-builders and converters that can substantially reduce the cost of any project

VAT – residential properties empty for at least two years.

The renovation of residential properties that have been empty for at least 2 years will be eligible for a reduced rate of VAT 5%. This applies to labour and materials associated with repairs, alterations, construction of associated garages and hard landscaping.

To minimise VAT paid, careful consideration needs to be given to who supplies materials and it will usually pay to work with a VAT-registered builder, as the saving of 15% on materials supplied and fixed (labour and materials) will usually outweigh the saving of 20% VAT on just the labour. There is no equivalent reduced VAT rate for DIY work [HMRC Notice 708](#)

VAT – residential properties empty longer than ten years

The renovation of a dwelling that has been empty for ten years or more is treated as a new dwelling created by conversion and assuming the property is to be sold, a VAT-registered builder must charge a zero rate of VAT on all eligible work.

If the property is to be used for residential purposes by you or your family after the works are completed, you may be eligible to a zero rate of VAT. This concession is included within the scheme for conversions by DIY house builders, and the detailed requirements and eligibility can be found in [HMRC Notice 431C](#)

To be eligible for the above schemes it will be necessary to provide proof that the building has been unoccupied for the required period. A letter from your local empty property officer or council tax records would usually be sufficient evidence for that purpose.

VAT - Converting a non-residential building into a dwelling

The rules for first-time conversions of non-residential buildings are the same as for dwellings that have been empty for ten years or more. This applies to barn conversions, church conversions, school conversions, warehouse conversions etc. [HMRC Notice 708](#)

Change in the number of dwelling units

Where renovation work to a building in residential use results in a change in the number of dwelling units – for instance, dividing a house into flats, or knocking two small cottages or a number of flats into a single dwelling – the work involved is eligible for the reduced rate of VAT of 5%.

As with a dwelling empty for two years or more, there is no equivalent reduced VAT rate for DIY work **HMRC Notice 708**

New dwellings

The supply of new dwellings is zero rated for VAT and so the supply of eligible labour and materials involved in the construction of a new dwelling can be zero rated **HMRC Notice 708**. If you are not VAT registered (self-build) you can make a one-off claim for the refund of VAT on eligible materials using **HMRC Notice 431C**

VAT and the installation of certain energy efficiency measures

In addition, reduced rates of VAT apply to a number of types of building works, such as installing energy saving measures in residential accommodation. The reduced rate applies to installation of:

- Central heating and hot water system controls, draught stripping, insulation
- Solar panels, wind turbines, ground, and air source heat pumps
- Micro combined heat and power units; and wood fueled boilers

The following are not eligible in the above scheme: energy efficient boilers, secondary or double glazing, or low emission glass.

For more information, please contact your local empty property officer or go to **www.hmrc.gov.uk** and look for the following notices, self-builders **VAT431NB**; convertors **VAT431C**; renovators of properties empty for two or more years, or energy efficiency works **VAT Notice 708**.