



VAT and Property Development – Works to Listed Places of Worship

Introduction

There are many factors which may impact on the application of VAT in respect of works to listed buildings. The VAT legislation provides for some relief for places of worship either by zero rating works regarded as approved alterations or allowing recovery of the VAT cost incurred for repair and maintenance (the Listed Place of Worship Scheme – see end note regarding the anticipated cessation of this scheme).

The net effect of both reliefs are that VAT will not, in the main, be an additional cost to qualifying projects. The benefit of the zero rate applying to a project is that VAT will not create a negative cash-flow impact, as it will not be charged in the first place.

The two key phrases to understand are ‘approved alteration’ and ‘repair and maintenance’.

NB - To qualify for relief in either case the work must be to the fabric of the building.

Approved Alteration

The works must amount to an alteration to the fabric of the building and be approved. In terms of approval a Faculty or equivalent will be required which should cover the full extent of the works.

It is important that the Faculty is in place at the time the works start, including any preparatory or preliminary works, as the application of the zero rate relies on the alterations being approved at the time that the work is done. There is no facility for the zero rate to be applied retrospectively where the Faculty application is delayed.

Specifically excluded from the zero rate are the following supplies: -

- The separate supply of professional services, such as architects, surveyors, consultants and supervisors
- The hire of goods on their own
- Items such as cookers, pews, choir stalls, sound and lighting equipment.

Repair and Maintenance

Works not qualifying as approved alterations may benefit from relief under the Listed Place of Worship Scheme (www.lpwscheme.org.uk). This provides for VAT incurred on certain works of repair and maintenance to the fabric of a building to be refunded. The scheme is also available in respect of repairs to certain fixtures and fittings.

The LPW scheme relieves the impact of VAT charged to qualifying works by way of retrospective claims. It has the added benefit of allowing claims to be made in respect of professional fees incurred which are connected with the qualifying repair or maintenance works.



Mixed Works

Works to ecclesiastical buildings often involve both approved alterations and repair and maintenance works. Where this happens professional fees can be apportioned between the two elements of the project, with the VAT incurred in respect of repair and maintenance recoverable under the terms of the LPW scheme.

It may, however, also be possible for ancillary repair and maintenance works to be covered by the zero rate as an approved alteration.

Please note that the LPW scheme is only expected to be available until 31 March 2011. Unless alternative legislative affect is introduced prior to this date (such as application of the reduced rate for repair and maintenance works) the refund mechanism is likely to be withdrawn.

For further advice please contact The VAT Consultancy or your usual advisor.

The VAT Consultancy is an independent consultancy which delivers practical advice on VAT. The consultants are experienced in providing bespoke advice on works to ecclesiastical buildings and listed places of worship.

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