



VAT and Charitable Buildings – do not get caught out

By Scott Craig, partner, Scott-Moncrieff

Misinformation about HMRC withdrawing a valuable concession that allows the zero-rating of charitable buildings has recently resulted in concern amongst charities.

Unsolicited mail shots are one of the prime causes of this current confusion but the fundamental fact is that the concession was never available to many organisations in the first place.

To qualify for zero-rating a building must be used by a charity “solely” for non-business purposes. Broadly speaking the existing concession defines “solely” as 90% of the time. From 30th June 2010, the term “solely” will be 95% and HMRC want this position monitored for a further 10 years. While this is expected to reduce the application of the concession – that said it would never have been used by all charities.

In the current climate where grant funding is being cut and business activities developed to make up funding shortfalls, we expect that more charities will fail to qualify for zero rating. The additional VAT incurred on building projects will result in a cost to the charity and additional income for the Government.

There are opportunities to reduce or remove the cost of irrevocable VAT on building works and anyone constructing a new building or annexe should carefully consider their VAT position.

Where certain conditions are met, VAT savings are available on the construction of new buildings, approved alterations to listed buildings and conversions of commercial buildings.

In all cases it is worth considering the VAT position at an early stage of any building project.

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