



HMRC publishes its revised policy on the Lennartz mechanism.

The Lennartz mechanism allows VAT incurred on the purchase, construction or refurbishment of buildings to be recovered where the buildings are put to both taxable business and non-business use. An output tax charge or repayment of VAT is then applied over the next 10 years (based on non-business use of the building). Lennartz can provide a significant cashflow benefit.

New Policy

From 22 January 2010, Lennartz accounting will not be available for business assets put to non-business use.

How does this affect you?

New Projects - If you are considering a new construction project you should speak to HMRC immediately. HMRC have advised us that some new projects could still qualify. We could help you to obtain Lennartz approval from HMRC.

Existing/completed projects - If you already use Lennartz you have two choices:

1. Continue to monitor the VAT you recovered in accordance with your Lennartz agreement.

or

2. Undo your claim and repay any VAT benefit to HMRC.

Either way you will have to notify HMRC what you intend to do. We can help you to do this.

If you would like more information on this please contact our VAT partner Scott Craig in the first instance. Please feel free to contact the Scott Moncrieff VAT Team if you would like to discuss this or any other VAT issues:

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We believe the information in this document to be correct at the time it was written, December 09, but cannot accept any responsibility for any loss occasioned to any person as a result of action or refraining from action as a result of any item herein.

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