



Finance Act 2001

2001 CHAPTER 9

PART 4

OTHER TAXES

Value added tax

97 VAT: residential conversions and renovations

- (1) In paragraph 1 of Schedule A1 to the Value Added Tax Act 1994 (c. 23) (supplies benefiting from 5% reduced rate), after sub-paragraph (5) (which is inserted by section 96 of this Act) insert—

“(6) The supplies falling within this paragraph also include—

- (a) the supply, in the course of a qualifying conversion, of qualifying services related to the conversion;
- (b) the supply of building materials if—
 - (i) the materials are supplied by a person who, in the course of a qualifying conversion, is supplying qualifying services related to the conversion, and
 - (ii) those services include the incorporation of the materials in the building concerned or its immediate site.

(7) The supplies falling within this paragraph also include—

- (a) the supply, in the course of the renovation or alteration of a single household dwelling, of qualifying services related to the renovation or alteration;
- (b) the supply of building materials if—
 - (i) the materials are supplied by a person who, in the course of the renovation or alteration of a single household dwelling, is supplying qualifying services related to the renovation or alteration, and

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- (ii) those services include the incorporation of the materials in the dwelling concerned or its immediate site.
- (8) Sub-paragraph (9) below applies where a supply of services is only in part a supply to which sub-paragraph (6)(a) or (7)(a) above applies.
- (9) The supply, to the extent that it is one to which paragraph (a) of sub-paragraph (6) or (7) above applies, is to be taken to be a supply to which that paragraph applies; and an apportionment may be made to determine that extent.”
- (2) After paragraph 7 of that Schedule (which also is inserted by section 96 of this Act) insert—

“Interpretation of paragraph 1(6): introductory

- 8 (1) Paragraph 1(6) above is interpreted in accordance with paragraphs 9 to 17 and 22 below.
- (2) In paragraphs 10 to 14 below, “single household dwelling” means a dwelling—
 - (a) that is designed for occupation by a single household, and
 - (b) in relation to which the conditions set out in sub-paragraph (4) below are satisfied.
- (3) In paragraphs 10 to 14 below “multiple occupancy dwelling” means a dwelling—
 - (a) that is designed for occupation by persons not forming a single household, and
 - (b) in relation to which the conditions set out in sub-paragraph (4) below are satisfied.
- (4) The conditions are—
 - (a) that the dwelling consists of self-contained living accommodation,
 - (b) that there is no provision for direct internal access from the dwelling to any other dwelling or part of a dwelling,
 - (c) that the separate use of the dwelling is not prohibited by the terms of any covenant, statutory planning consent or similar provision, and
 - (d) that the separate disposal of the dwelling is not prohibited by any such terms.
- (5) For the purposes of this paragraph, a dwelling “is designed” for occupation of a particular kind if it is so designed—
 - (a) as a result of having been originally constructed for occupation of that kind and not having been subsequently adapted for occupation of any other kind, or
 - (b) as a result of adaptation.

Interpretation of paragraph 1(6): meaning of “qualifying conversion”

- 9 (1) A “qualifying conversion” means—

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- (a) a changed number of dwellings conversion (see paragraph 10 below);
 - (b) house in multiple occupation conversion (see paragraph 11 below); or
 - (c) a special residential conversion (see paragraph 12 below).
- (2) Sub-paragraph (1) above is subject to paragraphs 14 and 15 below.

Interpretation of paragraph 1(6): meaning of “changed number of dwellings conversion”

- 10 (1) A “changed number of dwellings conversion” is—
- (a) a conversion of premises consisting of a building where the conditions specified in this paragraph are satisfied, or
 - (b) a conversion of premises consisting of a part of a building where those conditions are satisfied.
- (2) The first condition is that after the conversion the premises being converted contain a number of single household dwellings that is—
- (a) different from the number (if any) that the premises contain before the conversion, and
 - (b) greater than, or equal to, one.
- (3) The second condition is that there is no part of the premises being converted that is a part that after the conversion contains the same number of single household dwellings (whether zero, one or two or more) as before the conversion.

Interpretation of paragraph 1(6): meaning of “house in multiple occupation conversion”

- 11 (1) A “house in multiple occupation conversion” is—
- (a) a conversion of premises consisting of a building where the condition specified in sub-paragraph (2) below is satisfied, or
 - (b) a conversion of premises consisting of a part of a building where that condition is satisfied.
- (2) The condition is that—
- (a) before the conversion the premises being converted contain only a single household dwelling or two or more such dwellings,
 - (b) after the conversion those premises contain only a multiple occupancy dwelling or two or more such dwellings, and
 - (c) the use to which those premises are intended to be put after the conversion is not to any extent use for a qualifying residential purpose (see paragraph 17 below).

Interpretation of paragraph 1(6): meaning of “special residential conversion”

- 12 (1) A “special residential conversion” is a conversion of premises consisting of—
- (a) a building or two or more buildings,
 - (b) a part of a building or two or more parts of buildings, or

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- (c) a combination of—
 - (i) a building or two or more buildings, and
 - (ii) a part of a building or two or more parts of buildings,
 where the conditions specified in this paragraph are satisfied.
- (2) The first condition is that, before the conversion, the premises being converted contain only—
 - (a) a dwelling or two or more dwellings, or
 - (b) a dwelling, or two or more dwellings, and—
 - (i) an ancillary outbuilding occupied together with the dwelling or one or more of the dwellings, or
 - (ii) two or more ancillary outbuildings each occupied together with the dwelling or one or more of the dwellings.
- (3) In sub-paragraph (2) above “dwelling” means single household dwelling or multiple occupancy dwelling.
- (4) The second condition is that where before the conversion the premises being converted contain a multiple occupancy dwelling or two or more such dwellings, the use to which that dwelling, or any of those dwellings, was last put before the conversion was not to any extent use for a qualifying residential purpose (see paragraph 17 below).
- (5) The third condition is that the premises being converted must be intended to be used after the conversion solely for a qualifying residential purpose.
- (6) The fourth condition is that, where the qualifying residential purpose is an institutional purpose, the premises being converted must be intended to form after the conversion the entirety of an institution used for that purpose.
- (7) In sub-paragraph (6) above “institutional purpose” means a purpose within paragraph 17(a) to (c), (f) or (g) below.

Special residential conversions: reduced rate only for supplies made to intended user of converted accommodation

- 13
- (1) This paragraph applies where the qualifying conversion concerned is a special residential conversion.
 - (2) Paragraph 1(6)(a) or (b) above does not apply to a supply unless—
 - (a) it is made to a person who intends to use the premises being converted for the qualifying residential purpose, and
 - (b) before it is made, the person to whom it is made has given to the person making it a certificate that satisfies the requirements in sub-paragraph (3) below.
 - (3) Those requirements are that the certificate—
 - (a) is in such form as may be specified in a notice published by the Commissioners, and
 - (b) states that the conversion is a special residential conversion.

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- (4) In sub-paragraph (2)(a) above “the qualifying residential purpose” means the purpose within paragraph 17 below for which the premises being converted are intended to be used after the conversion.

Interpretation of paragraph 1(6): “qualifying conversion” includes related garage works

- 14 (1) A qualifying conversion includes any garage works related to the—
- (a) changed number of dwellings conversion,
 - (b) house in multiple occupation conversion, or
 - (c) special residential conversion,
- concerned.
- (2) In this paragraph “garage works” means—
- (a) the construction of a garage, or
 - (b) a conversion of a non-residential building, or of a non-residential part of a building, that results in a garage.
- (3) For the purposes of sub-paragraph (1) above, garage works are “related” to a conversion if—
- (a) they are carried out at the same time as the conversion, and
 - (b) the resulting garage is intended to be occupied with—
 - (i) where the conversion concerned is a changed number of dwellings conversion, a single household dwelling that will after the conversion be contained in the building, or part of a building, being converted,
 - (ii) where the conversion concerned is a house in multiple occupation conversion, a multiple occupancy dwelling that will after the conversion be contained in the building, or part of a building, being converted, or
 - (iii) where the conversion concerned is a special residential conversion, the institution or other accommodation resulting from the conversion.
- (4) In sub-paragraph (2) above “non-residential” means neither designed, nor adapted, for use—
- (a) as a dwelling or two or more dwellings, or
 - (b) for a qualifying residential purpose (see paragraph 17 below).

Interpretation of paragraph 1(6): conversion not “qualifying” if planning consent and building control approval not obtained

- 15 (1) A conversion is not a qualifying conversion if any statutory planning consent needed for the conversion has not been granted.
- (2) A conversion is not a qualifying conversion if any statutory building control approval needed for the conversion has not been granted.

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Interpretation of paragraph 1(6): meaning of “supply of qualifying services”

- 16 (1) In the case of a conversion of a building, “supply of qualifying services” means a supply of services that consists in—
- (a) the carrying out of works to the fabric of the building, or
 - (b) the carrying out of works within the immediate site of the building that are in connection with—
 - (i) the means of providing water, power, heat or access to the building,
 - (ii) the means of providing drainage or security for the building, or
 - (iii) the provision of means of waste disposal for the building.
- (2) In the case of a conversion of part of a building, “supply of qualifying services” means a supply of services that consists in—
- (a) the carrying out of works to the fabric of the part, or
 - (b) the carrying out of works to the fabric of the building, or within the immediate site of the building, that are in connection with—
 - (i) the means of providing water, power, heat or access to the part,
 - (ii) the means of providing drainage or security for the part, or
 - (iii) the provision of means of waste disposal for the part.
- (3) In this paragraph—
- (a) references to the carrying out of works to the fabric of a building do not include the incorporation, or installation as fittings, in the building of any goods that are not building materials (see paragraph 22 below);
 - (b) references to the carrying out of works to the fabric of a part of a building do not include the incorporation, or installation as fittings, in the part of any goods that are not building materials.

Interpretation of paragraphs 11 to 14: meaning of “qualifying residential purpose”

- 17 For the purposes of paragraphs 11 to 14 above, “use for a qualifying residential purpose” means use as—
- (a) a home or other institution providing residential accommodation for children,
 - (b) a home or other institution providing residential accommodation with personal care for persons in need of personal care by reason of old age, disablement, past or present dependence on alcohol or drugs or past or present mental disorder,
 - (c) a hospice,
 - (d) residential accommodation for students or school pupils,
 - (e) residential accommodation for members of any of the armed forces,
 - (f) a monastery, nunnery or similar establishment, or

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- (g) an institution which is the sole or main residence of at least 90 per cent. of its residents,
except use as a hospital, prison or similar institution or an hotel, inn or similar establishment.

Interpretation of paragraph 1(7): introductory

- 18 (1) Paragraph 1(7) above is interpreted in accordance with this paragraph and paragraphs 19 to 22 below.
- (2) For the purposes of paragraph 1(7) above (and paragraphs 19 to 21 below)
—
“alteration” includes extension;
“single household dwelling” has the meaning given by paragraph 8(2), (4) and (5) above.

Paragraph 1(7) only applies where dwelling has been empty for at least 3 years

- 19 (1) Paragraph 1(7) above does not apply to a supply unless either of the empty home conditions is satisfied.
- (2) The first “empty home condition” is that the dwelling concerned has not been lived in during the period of 3 years ending with the commencement of the relevant works.
- (3) The second “empty home condition” is that—
 - (a) the dwelling was not lived in during a period of at least 3 years;
 - (b) the person, or one of the persons, whose beginning to live in the dwelling brought that period to an end was a person who (whether alone or jointly with another or others) acquired the dwelling at a time—
 - (i) no later than the end of that period, and
 - (ii) when the dwelling had been not lived in for at least 3 years;
 - (c) no works by way of renovation or alteration were carried out to the dwelling during the period of 3 years ending with the acquisition;
 - (d) the supply is made to a person who is—
 - (i) the person, or one of the persons, whose beginning to live in the property brought to an end the period mentioned in paragraph (a) above, and
 - (ii) the person, or one of the persons, who acquired the dwelling as mentioned in paragraph (b) above; and
 - (e) the relevant works are carried out during the period of one year beginning with the day of the acquisition.
- (4) In this paragraph “the relevant works” means—
 - (a) where the supply is of the description set out in paragraph 1(7)(a) above, the works that constitute the services supplied;
 - (b) where the supply is of the description set out in paragraph 1(7)(b) above, the works by which the materials concerned are incorporated in the dwelling concerned or its immediate site.

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- (5) In sub-paragraph (3) above, references to a person acquiring a dwelling are to that person having a major interest in the dwelling granted, or assigned, to him for a consideration.

Paragraph 1(7) only applies if planning consent and building control approval obtained

- 20 (1) Paragraph 1(7) above does not apply to a supply unless any statutory planning consent needed for the renovation or alteration has been granted.
- (2) Paragraph 1(7) above does not apply to a supply unless any statutory building control approval needed for the renovation or alteration has been granted.

Interpretation of paragraph 1(7): meaning of “supply of qualifying services”

- 21 (1) “Supply of qualifying services” means a supply of services that consists in—
- (a) the carrying out of works to the fabric of the dwelling, or
 - (b) the carrying out of works within the immediate site of the dwelling that are in connection with—
 - (i) the means of providing water, power, heat or access to the dwelling,
 - (ii) the means of providing drainage or security for the dwelling, or
 - (iii) the provision of means of waste disposal for the dwelling.
- (2) In sub-paragraph (1)(a) above, the reference to the carrying out of works to the fabric of the dwelling does not include the incorporation, or installation as fittings, in the dwelling of any goods that are not building materials (see paragraph 22 below).

Interpretation of paragraph 1(6) and (7): meaning of “building materials”

- 22 “Building materials” has the meaning given by Notes (22) and (23) of Group 5 to Schedule 8 (zero-rating of construction and conversion of buildings).”.
- (3) The amendments made by this section have effect in relation to supplies made after the day on which this Act is passed.

Changes to legislation:

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