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STATUTORY INSTRUMENTS

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**1987 No. 781**

**VALUE ADDED TAX**

**The Value Added Tax (Construction of Buildings) Order 1987**

<i>Made</i>	- - - -	<i>29th April 1987</i>
<i>Laid before the House of Commons</i>	- - - -	<i>30th April 1987</i>
<i>Coming into force</i>	- -	<i>21st May 1987</i>

The Treasury, in exercise of the powers conferred on them by sections 14(10), 16(4) and 48(6) of the Value Added Tax Act 1983<sup>(1)</sup> and of all other powers enabling them in that behalf, hereby make the following Order:

1. This Order may be cited as the Value Added Tax (Construction of Buildings) Order 1987 and shall come into force on 21st May 1987.

2. Group 8<sup>(2)</sup> of Schedule 5 to the Value Added Tax Act 1983 shall be varied

(a) by substituting for Note (1A) the following Note—

“(IA) Any reference in item 2 or the following Notes to the construction of any building or the construction of any civil engineering work does not include a reference to

(a) the conversion, reconstruction, alteration or enlargement of any existing building or civil engineering work; or

(b) any extension or annexation to an existing building which provides for internal access to the existing building or of which the separate use, letting or disposal is prevented by the terms of any covenant, statutory planning consent or similar permission;

and the reference in item 1 to a person constructing a building shall be construed accordingly;”

(b) by inserting in Note (2A) after paragraph (c), the following—

“(d) carpets or carpeting materials.”

3. Article 8 of the Value Added Tax (Special Provisions) Order 1981<sup>(3)</sup> shall be varied—

(a) by inserting in paragraph (1) after the words “taxable person constructing a building” and before the words “for the purpose of granting a major interest in it”, the following words—

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<sup>(1)</sup> 1983 c. 55

<sup>(2)</sup> Group 8 was varied by the Finance Act 1984 (c. 43), section 10 and Schedule 6(II).

<sup>(3)</sup> S.I. 1981/1741; article 8 was amended by S.I. 1984/736

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**Status:** This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

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“or effecting works to any building, in either case;”

(b) by inserting in paragraph (2) after sub-paragraph (c) the following subparagraph—

“(d) carpets or carpeting materials.”.

29th April 1987

*Michael Neubert*  
*Mark Lennox-Boyd*  
Two of the Lords Commissioners of Her  
Majesty’s Treasury

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## EXPLANATORY NOTE

*(This note is not part of the Order)*

Article 2 of this Order amends Notes (1A) and (2A) of Group 8 of Schedule 5 to the Value Added Tax Act 1983 (as amended) and article 3 of this Order amends article 8 of the Value Added Tax (Special Provisions) Order 1981 (as amended).

Group 8 sets out the reliefs available by way of zero-rating for the construction of buildings etc and Notes (1A) and (2A) have the effect of excluding from zero-rating supplies that might otherwise fall to be relieved under various items within the Group. Note (1A) as amended will, with effect from 21st May 1987, additionally deny zero-rating to any extension or annexation to an existing building if it provides for internal access to the existing building, or if separate use, letting or disposal is prevented by the terms of any covenant, planning consent or similar permission. Note (2A) as amended will, from the same date, exclude from zero-rating relief carpets and carpeting materials when installed in the course of the construction of any building.

Article 8 of the Value Added Tax (Special Provisions) Order 1981 prevents the deduction of input tax on non-standard fixtures and fittings incorporated by a speculative builder in a dwelling which he is building for supply by sale or long lease. Article 8 as now further amended will, with effect from 21st May 1987, similarly prevent deduction when a person effecting works to an existing building intends to sell or grant a long lease on any dwelling resulting from his works. Also with effect from the same date carpets and carpeting materials will be added to the list of non-standard fixtures and fittings in respect of which input tax deduction is specifically prevented. This latter change complements and produces the same net effect for speculative builders as the amendment to Note (2A) does for contract builders.