

SCHEDULE 5A

Section 131

LIMITS ON AMOUNT OF DISCOUNT RELEVANT COSTS

*Introductory*

1. In this Schedule—

“cost floor” means the amount mentioned in section 131(1)(a) (limits on amount of discount), and

“relevant costs” means costs to be taken into account for the purposes of section 131(1)(a).

*Relevant costs and relevant works*

2. Costs shall be treated as relevant costs if, and only to the extent that, they are not administrative costs or interest.

3. Works of improvement to a qualifying dwelling-house are relevant works but works of repair or maintenance or works to deal with any defect affecting the qualifying dwelling-house are not relevant works.

4. Costs incurred on any relevant works shall not be treated as relevant costs if payment for them is made on or after the date of service of the qualifying person’s notice under section 122 (notice claiming to exercise right to buy) unless—

- (a) the landlord has before that date entered into a written contract for the carrying out of the works; or
- (b) the qualifying person has agreed in writing to the carrying out of works and either the works have been carried out not later than the date of service of the landlord’s notice under section 125 (notice of purchase price etc.) or the works will be carried out under the proposed terms of the conveyance or grant.

*Ascertainment of cost floor*

5.—(1) The cost floor is an amount equal to the aggregate of the costs which under sub-paragraph (2) may be treated as relevant costs.

(2) The costs which may be treated as relevant costs are the costs incurred by the landlord in respect of—

- (a) the acquisition of the qualifying dwelling-house, or
- (b) the construction of the qualifying dwelling-house (including development works and the acquisition of land), or
- (c) relevant works to the qualifying dwelling-house.

(3) Where the landlord has previously disposed of the qualifying dwelling-house and has subsequently re-acquired it in circumstances in which discount was recovered in whole or part, only the costs of re-acquisition net of any discount recovered shall be taken into account for the purposes of sub-paragraph (2)(a).

*Estimates*

6. An estimate may be made for the purposes of arriving at the cost floor for a qualifying dwelling-house where the amount of any relevant costs or payments for them cannot readily be ascertained.

**Status:** This is the original version (as it was originally made).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

### *Companies*

7.—(1) In a case where a landlord is a company, references to the landlord in paragraphs 4(a) and 5(2) and (3) include references to a connected company.

(2) For this purpose “connected company” means a subsidiary or holding company within the meaning of section 736 of the Companies Act 1985.