

*Order made by the Treasury, laid before the House of Commons under section 45(3) of the Value Added Tax Act 1983, for approval by a resolution of that House within twenty-eight days beginning with the day on which the Order was made, subject to extension for periods of dissolution, prorogation or adjournment for more than four days.*

---

STATUTORY INSTRUMENTS

---

**1987 No. 1072**

**VALUE ADDED TAX**

**The Value Added Tax (Construction of Buildings)  
(No. 2) Order 1987**

|   |                       |
|---|-----------------------|
| <i>Made - - - -</i>                     | <i>22nd June 1987</i> |
| <i>Laid before the House of Commons</i> | <i>24th June 1987</i> |
| <i>Coming into force</i>                | <i>25th June 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(a) 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) (No. 2) Order 1987 and shall come into force on 25th June 1987.
2. Group 8(b) of Schedule 5 to the Value Added Tax Act 1983 shall be varied—
  - (a) by substituting for Note (1A) the following Note—

“(1A) 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(c) 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—

---

(a) 1983 c.55. (b) Group 8 was varied by the Finance Act 1984 (c.43), section 10 and Schedule 6(II). (c) S.I. 1981/1741; article 8 was amended by S.I. 1984/736.

- “or effecting works to any building, in either case”;
- (b) by inserting in paragraph (2) after sub-paragraph (c) the following sub-paragraph—
- “(d) carpets or carpeting materials.”.

*Tim Sainsbury  
Michael Neubert*

22nd June 1987

Two of the Lords Commissioners of Her Majesty's Treasury

---

### EXPLANATORY NOTE

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

This Order replaces, in identical terms, the Value Added Tax (Construction of Buildings) Order 1987 (S.I. 1987/781) which has expired because it did not get House of Commons approval in the specified time.

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) is amended to 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) is amended to 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. That article is now further amended to 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. In addition, carpets and carpeting materials are 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.

The amendments described above came into force on 21st May 1987 under S.I. 1987/781. This Order continues them in force on the expiry of that Instrument.

45p net

ISBN 0 11 077072 2