

# Top tips on recovering VAT if you build your own home

## A look at the VAT DIY scheme for self-builders.

If you purchase a newly built property from a developer you will not be charged VAT, as the supply is zero rated. Zero rating the construction of a newly build property allows the developer to recover input VAT whilst the purchaser does not incur the VAT cost.

However if you choose to self-build your home, you do not have the benefit of reclaiming VAT in the same way as VAT registered developers do. In this case, VAT DIY scheme enables self-builders to reclaim VAT on specific expenditure and benefit from VAT savings in the same way a property developer do.

When considering VAT claims under this scheme, it is important to remember:

### Not all self-built projects qualify

Projects qualifying for DIY VAT scheme must be newly constructed from ground up, converted from a non-residential use, or residential properties brought into use after 10 years of non-occupation. Make sure you understand HMRC's definitions of 'new residential dwelling' and 'qualifying conversion' as this will need to be reflected in the planning application to support the VAT claim. In addition, only properties capable of a separate disposal qualify. For example a 'granny annex' which cannot be sold separately, will not qualify.

### Who is to live in the property

The property must be for self-occupation, or for a relative to live in. Tenanted properties do not qualify.

### You can use contractors

Even though the scheme is called 'DIY', you are able to hire contractors to build the home for you.

### What can you claim

Broadly, you can reclaim VAT on building materials used in the construction of your home and those fittings which are routinely incorporated into the building of a relevant description, for example air conditioning, doors, extractor fans, curtain poles.

The definition of what is ordinarily installed into what building has recently been challenged in a tribunal case concerning VAT on electric blinds for a sustainable eco-home. Look below for a summary of this case.

You cannot recover VAT charged on professional services, such as architects' fees.

### **Recovering VAT at correct rates**

You cannot recover VAT charged at incorrect rates, so be clear on whether the VAT applicable on relevant purchases should be at 20%, 5% or 0%. VAT incorrectly charged by a contractor, for example charged at 20% where the reduced rate should have been applied, means you will need to recover the difference from the contractor, as HMRC will not allow a reclaim. This is particularly important in a climate of uncertainty when some contractors might go out of business.

### **What's best for your cash flow**

Whilst the scheme allows you to recover correctly incurred VAT, pressure on cash flow may mean you might be better off requesting that the materials are purchased by the contractor and included in the cost of construction service. In this way, standard rated materials become zero rated.

### **Don't be late when submitting the claim**

The claim form must be submitted within three months of construction completion, as evidenced by the issue date of a certificate completion, or the date when the home became inhabited, if earlier. The claim form can be found [here](#). Original invoices must be sent with the claim, so posting recorded delivery is advisable.

### **Electric blinds in eco-homes – can you reclaim VAT under the DIY scheme?**

In *Cosham v HMRC [2019] UKFTT 0119 (TC)*, the tribunal considered whether VAT on electric blinds fitted in a self-built eco home can be reclaimed.

In the planning application, the building was described as sustainable home that reflects what is now a well-established market sector.

The legislation, s35 VATA 1994, Note 22 states that building materials in relation to any description of building are goods of a description ordinarily incorporated in a building of that description.

The taxpayer claimed:

- electric blinds are building materials ordinarily incorporated in buildings meeting the description of an eco-home
- the correct comparator should be other sustainable homes and not a traditional house.

HMRC claimed:

- the purpose and use of the building is relevant when deciding what constitutes a building of certain description (defined by size) and not the quality of the build
- therefore the correct comparator should be an ordinary 4 bedroomed house
- electrical blinds are an electrical appliance as they require electricity [*electrical appliances are excluded from VAT DIY scheme and VAT cannot be reclaimed*].

### **The ruling**

- the tribunal agreed with HMRC that the test should be based on the use of the building, but 'use' should not be restricted to size
- other defining features should be considered when establishing typical use of the building to define building's type – for example, type of occupants and type of design
- sustainable builds and eco homes should be recognised as a distinct category of buildings due to their specific design features

It was relevant to determine what materials are ordinarily fitted into an eco-home, rather than any four bedroomed house. Unfortunately the taxpayer failed to provide evidence that electric blinds are ordinarily fitted into eco-homes and lost.

### **What does it mean for you**

As building methods and technologies advance, HMRC's DIY VAT scheme guidance is becoming outdated, therefore cases such as *Cosham v HMRC* should be referred to, when seeking more relevant guidance.

Had the tax payer demonstrated that electric blinds are standard feature of a sustainable home, they may have succeeded!

In similar circumstances, a relevant proof of what is ordinarily fitted in a relevant building could be provided in the form of trade journals, opinion forming professional bodies (RICS) and independent advisers.