

Residential Accommodation

VAT law provides reliefs for dwellings, and for buildings for ‘a relevant residential purpose’, such as care homes and student accommodation, subject in each case to various conditions.

Problems have emerged with accommodation that, typically, falls between the two categories. This can mean, for example, that the construction is subject to standard rate VAT, and that this is irrecoverable and represents a cost. Examples so far have included ‘independent living’ units at care homes, staff flats included in student accommodation projects, and RSLs constructing flats where additional care is provided.

HMRC are becoming increasingly aggressive on this sort of point, and may actively look for reasons why a project does not qualify for relief. There is currently a particular focus on the terms of planning permission.

In view of this, please let us know if you are dealing with residential projects where you think this might be an issue. Please be aware that clients may well not have identified a problem, and be assuming that there will not be a substantial VAT cost. And, in view of HMRC’s emphasis on planning permission, it makes sense to consider the matter before this is applied for.

If you would like to discuss this or any other VAT matter, please do not hesitate to contact us.

Elysian Associates

October 2010

47