

PROPERTY EXPERT

VAT relief for DIY housebuilders

Steven Holden, Associate and Tax & Trust Manager at MFG Solicitors, looks at how to save money if you are a DIY housebuilder or someone building holiday homes to let

It is now becoming more commonplace for surplus farm buildings and land to be developed for residential use.

Commercial property developers undertake many such developments after acquiring the property from the original landowner.

However, some landowners are now looking at developing these properties themselves in order to maximise their profits. This can be for personal accommodation and for holiday homes to let following a recent appeal in the courts.

Among the plethora of considerations to be made when undertaking such a venture, one must not neglect to consider the tax consequences arising from it. Immediately the mind wanders to Capital Gains Tax, and although this is the most obvious area in which a liability may arise there are other areas of the tax regime in which savings can be made, not least of these is VAT.

VAT is charged on almost everything, and will certainly be charged on building supplies and the provision of services by a contractor.

Commercial property developers are, or should be, VAT registered, so can claim back the VAT they incur on construction/conversion.

What then of the individual developer, who is almost certainly not registered for VAT for such purposes? Even if your farming or other businesses are VAT registered, it is unlikely that you will be able to reclaim the VAT you incur in developing the property by that means.

With VAT increasing to 20 per cent next year, it will be an increasingly important cost to assess when going into this type of property development.

However, you should not consign yourself to having to suffer the VAT charged on the supplies that you require in order to carry out such developments.

Provided that you do not intend to use the property as part of a business or trade, you can take advantage of a scheme for such "one-off" developments, most commonly referred to as the "Do-It-Yourself" builders' scheme.

Importantly the scheme only applies to the construction of new dwellings, or the conversion of 'non-residential' property into dwellings.

Claims must be made within three months of the building or conversion works being completed, and they need a great deal of consideration to

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ensure the maximum VAT can be reclaimed.

The relief given is restricted to VAT incurred on building materials and contractors' fees only, VAT incurred on professional services such as an architect, surveyor or consultant cannot be included in the claim. It is also necessary as part of the claim to obtain a certificate from a quantity sur-

veyor as to the inclusion of items in the claim.

MFG Solicitors tax department can assist you in investigating your ability to claim under the scheme and also in compiling your claim for you. For further details, or a review of your position call 0121 550 0777

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Fish thinkers

There is something fishy going on in Perry Common as yellow fishes have started cropping up on the kerbs.

This isn't a case of piscine graffiti but the result of a campaign between the Environment Agency and Barratt West Midlands.

The agency is striving to clean up local waterways, and as part of that Barratt has supplied the area's junior wardens with yellow paint and stencils to cover the surface water drains at its Dovedale Park development and beyond.

The project begins in Perry Common within the Witton Lakes catchment, which includes the Hawthorn and Short Heath Brooks. The catchment passes through Brook vale Lake before entering the River Tame.

The symbols act as warning to passers by not to throw waste down the drains as they lead straight to local rivers and streams and are only intended to carry rainwater.

Junior Wardens from Witton Lodge Community Association, the Environment Agency and staff from Barratt West Midlands launched the project, which it is hoped will now be rolled out nationally.

Matthew Ashworth, environment officer and project manager at the Environment Agency said: "The Yellow Fish scheme is about encouraging communities to engage with their local environment to make a difference and achieve sustainable improvements.

"Marking a drain with a yellow fish demonstrates that it is linked to a local stream or pool. In doing this it is hoped that communities and developers can help prevent pollution entering these watercourses.

"Diffuse pollution caused by substances entering drains and also from misconnections can devastate local streams and wildlife. This can be difficult to tackle. If people see pollution they should contact our free 24-hour hotline on 0800 80 70 60 straight away."

Junior Wardens representative, Melissa Goodlet, said: "The Yellow Fish project is a fantastic way to engage children in making a positive contribution to their community.

"Junior Wardens exists to inspire and motivate children from the Perry Common area to make a difference in their locality through litter picking, graffiti removal, and participating in duckling watch and community watch.

"This fits with these aims perfectly."

For more information about Dovedale Park call 0121 384 7391 or log on to www.barratthomes.co.uk.