

## Foreword

**This notice cancels and replaces Notice 719 (January 1996). Details of any changes to the previous version can be found in paragraph 1.2 of this notice.**

### Further help and advice

If you need general advice or more copies of Customs and Excise notices, please ring the **National Advice Service** on **0845 010 9000**. You can call between **8.00 am and 8.00 pm, Monday to Friday**.

If you have **hearing difficulties**, please ring the **Textphone** service on **0845 000 0200**.

If you would like to speak to someone in **Welsh**, please ring **0845 010 0300**, between **8.00 am and 6.00 pm, Monday to Friday**.

**All calls are charged at the local rate within the UK. Charges may differ for mobile phones.**

## Other notices on this or related subjects

[700 The VAT Guide](#)

[700/6 Rulings](#)

[701/1 Charities](#)

[701/30 Education and vocational training](#)

[708 Buildings and construction](#)

[742A Opting to tax land and buildings](#)

## 1. Introduction

### 1.1 What is this notice about?

This notice explains:

- who is entitled to make a VAT claim under the 'DIY Builders and Converters Refund Scheme';
- what construction and conversion projects the Refund Scheme applies to;
- what VAT you can claim;
- how to make a claim; and

- the time limits for making a claim.

## 1.2 What's changed?

This notice has been restructured and rewritten to improve readability.

In relation to conversions of non-residential buildings, the meaning of 'non-residential' was changed on 1 August 2001 to include buildings that have not been used as a dwelling or number of dwellings or for a relevant residential purpose for at least 10 years, instead of since 1 April 1973. This change is reflected in section 7. The information was previously in Information Sheet 05/01.

## 1.3 Who should read this notice?

Anyone who is building or converting their own property, or anyone having a property built or converted for them.

## 1.4 What law covers this notice?

The rules for the Refund Scheme are set out in the Value Added Tax Act 1994, section 35 (as amended by the Finance Act 1995, section 33; the Finance Act 1996, section 30; and SI 2001/2305).

The notes to the Value Added Tax Act 1994, Schedule 8, Group 5 (as amended by SI 1995/280, SI 1997/50 and SI 2001/2305) provide definitions for the Refund Scheme.

The time limit and evidence rules are set out in the Value Added Tax Regulations 1995 (SI 1995/2518), regulations 200 and 201.

## 2. About the VAT Refund Scheme

### 2.1 What does the Scheme do?

The sale of a building by a developer is exempt from VAT, zero-rated or standard-rated depending on, amongst other criteria:

- what the intended use of the building is; and
- whether it has been created from new or by converting an existing building.

Developers can recover, through their VAT return, the VAT on their costs that relate to zero-rated or standard-rated sales. They cannot recover VAT that relates to exempt sales.

The Refund Scheme puts DIY builders and converters in a broadly similar position to a developer selling a zero-rated property, by refunding them the VAT on their main construction or conversion costs.

## 2.2 Planning and starting your project

VAT costs are often a significant factor when deciding whether or not to undertake a self-build project. Due to the potential size of a refund you may be entitled to, we suggest you read this notice carefully before you start your project and:

- satisfy yourself that you will be eligible to make a claim – see section 3; and
- get to know on what goods and services you can claim VAT – see sections 8 and 9.

There are various forms you will need to complete as part of your claim submission – see paragraph 11.1. You may find it easier to fill these in as your work progresses. We suggest, therefore, that you obtain a claim pack when you start your work.

### Warning:

You cannot recover all of your VAT costs. If you construct a new eligible building you can only claim for the VAT on those 'building materials' incorporated in the building (or its site). For conversions, you can also claim for the VAT on conversion services supplied to you. This is explained further in sections 8 and 9.

Take care to ensure that you are charged the correct amount of VAT, as you can only reclaim VAT that has been correctly charged. Some supplies by builders are zero-rated (such as the construction of buildings covered by the Refund Scheme) or reduced-rated (such as some types of conversion). If you are charged VAT in error, your builder may be able to obtain a VAT refund from Customs by adjusting his account with us. Further information on the liability of builders' charges is in Notice 708 Buildings and construction.

## 3. Who can claim?

### 3.1 Who can make a claim?

You can claim if you buy...	that are used to...	provided...
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eligible goods – see section 8	construct a new qualifying: dwelling – see section 4, communal residential building, such as a new care home – see section 5, or charity building (including a qualifying annexe) – see section 6;	the works are carried out in the UK (including the Isle of Man but not the Channel Islands),  the works are carried out lawfully, and  the building is not intended to be used for business purposes.
eligible goods and services – see sections 8 and 9	convert a non-residential building into a qualifying: dwelling – see section 7, or communal residential building – see section 7;	

If you are developing a communal residential building or charity building, you will also need to read Notice 708 Buildings and construction.

Examples of people who **cannot** use the Refund Scheme, because their building will be used for a business purpose, include:

- speculative developers;
- landlords;
- bed and breakfast operators;
- care home operators who make a charge (even if not for profit) to their residents; and
- membership clubs and associations.

If you work from home, using one of the rooms in your home as an office, you can still make a claim.

## 3.2 Do I need to do the work myself?

No. You need not carry out all, or any, of the work yourself. You can claim for eligible goods you buy and give to your builder to incorporate into the building (or its site) provided that the work is done before the date of completion – see paragraph 10.3.

**Remember:** take care to ensure that you are charged the correct amount of VAT, as you can only reclaim VAT that has been correctly charged. Some supplies by builders can be zero-rated (such as the construction of buildings covered by the Refund Scheme) or reduced-rated (such as some types of conversion). If you are charged VAT in error, your builder may be able to obtain a VAT refund from Customs by adjusting his account with us. Further information on the liability of builders' charges is in Notice 708 Buildings and construction.

### 3.3 Can I make a claim if I add to or finish a partly completed building?

Yes, such as if you buy a 'shell' from a developer and fit it out. Paragraph 10.3 explains when a building is completed.

You **cannot**, however, claim for extra work you do on a completed building bought from a builder or developer – such as adding a conservatory, patio, double-glazing, tiling, or a garage.

## 4. Constructing a new dwelling

To be within the Refund Scheme you must be:

- eligible to make a claim – see section 3; and
- constructing a building – see paragraph 4.1 – that is 'designed as a dwelling' – see paragraph 4.2.

You can find examples of buildings that are not within the Refund Scheme at paragraph 4.3.

### 4.1 What 'constructing a building' means

For the purposes of this section, a building is 'constructed' when:

- it is built from scratch, and, before work starts, any pre-existing building is demolished completely to ground level (cellars, basements and the 'slab' at ground level may be retained) – see sub-paragraph 4.1.1;
- the new building makes use of no more than a single facade (or a double facade on a corner site) of a pre-existing building, the pre-existing building is demolished completely (other than the retained facade) before work on the new building is started **and** the facade is retained as an explicit condition or requirement of statutory planning consent – see sub-paragraph 4.1.1;
- a semi-detached building is built; or

- an existing building is enlarged or extended and the enlargement or extension creates an additional dwelling – see sub-paragraph 4.1.2.

#### 4.1.1 Party walls

In determining whether a building has been demolished, you can ignore the retention of party walls forming part of a neighbouring property that is not being developed.

So, for example, you are constructing a building when you 'infill' in a row of terraced houses **provided**:

- the pre-existing house is completely demolished apart from the party walls shared with neighbouring properties; and
- any retained facade is retained as an explicit condition or requirement of statutory planning consent.

#### 4.1.2 Enlargements and extensions that create additional dwellings

You can claim for an enlargement of, or extension to, an existing building **to the extent** that the extension or enlargement contains an additional dwelling **provided** the new dwelling is:

- wholly within the enlargement or extension; and
- 'designed as a dwelling' – see paragraph 4.2.

So, for example, a new qualifying flat built on top of an existing building would be within the Refund Scheme. But the conversion of a loft space into a flat would not.

## 4.2 What 'designed as a dwelling' means

### 4.2.1 The definition

For VAT purposes, a building is 'designed as a dwelling' when all the following conditions are satisfied:

- the dwelling consists of self-contained living accommodation;
- there is no provision for direct internal access from the dwelling to any other dwelling or part of a dwelling;
- the separate use of the dwelling is not prohibited by the terms of any covenant, statutory planning consent or similar provision;
- the separate disposal of the dwelling is not prohibited by the terms of any covenant, statutory planning consent or similar provision; and

- statutory planning consent has been granted in respect of that dwelling and its construction or conversion has been carried out in accordance with that consent.

#### 4.2.2 Is an occupancy restriction a prohibition on separate use or disposal?

No. Occupancy restrictions are not prohibitions on separate use or disposal and do not affect whether a building is 'designed as a dwelling'. Common examples of occupancy restrictions include those that limit the occupancy to people:

- working in agriculture or forestry, or
- over a specified age.

#### 4.2.3 Garages and outbuildings

Subject to the rules at sections 8 and 9, you can also include in your claim the VAT costs on constructing, or converting a building into, a garage **provided** it is constructed or converted at the same time as, and intended to be occupied with, a building 'designed as a dwelling'.

You cannot claim for other outbuildings.

## 4.3 Examples of works that are not within the Refund Scheme

Common examples of works that are not within the Refund Scheme, and for which you cannot claim, include the construction of:

- 'granny' annexes that cannot be used, or disposed of, separately from a main house – this is because the annexe is not 'designed as a dwelling' in its own right; or
- detached workshops, playrooms or enclosed swimming pools in the grounds of a new dwelling – this is because the building being constructed is not 'designed as a dwelling'.

## 5. Constructing a new residential building

To be within the Refund Scheme you must be:

- eligible to make a claim – see section 3; and either
- constructing a building – see paragraph 5.1 – intended for use **solely** for a 'relevant residential purpose' – see paragraph 5.2, or
- constructing a number of buildings at the same time on the same site that are intended to be used together as a unit **solely** for a 'relevant residential purpose'.

Examples of buildings that are not within the Refund Scheme are at paragraph 5.3.

## 5.1 What 'constructing a building' means

For the purposes of this section, a building is 'constructed' when:

- it is built from scratch, and, before work starts, any pre-existing building is demolished completely to ground level (cellars, basements and the 'slab' at ground level may be retained) – sub-paragraph 4.1.1 applies in the same way to this section as it does to section 4;
- the new building makes use of no more than a single facade (or a double facade on a corner site) of a pre-existing building, the pre-existing building is demolished completely (other than the retained facade) before work on the new building is started and the facade is retained as an explicit condition or requirement of statutory planning consent – sub-paragraph 4.1.1 applies in the same way to this section as it does to section 4; or
- a semi-detached building is built.

## 5.2 What 'relevant residential purpose' means

A 'relevant residential purpose' building is a building that is used as:

- (a) a home or other institution providing residential accommodation for children,
- (b) a home or other institution providing residential accommodation with personal care for persons in need of personal care by reason of old age, disablement, past or present dependence on alcohol or drugs or past or present mental disorder,
- (c) a hospice,
- (d) residential accommodation for students or school pupils,
- (e) residential accommodation for members of any of the armed forces,
- (f) a monastery, nunnery or similar establishment, or
- (g) an institution which is the sole or main residence of at least 90 per cent of its residents;

but **not** a building used as:

- a hospital or similar institution,
- a prison or similar institution, or
- an hotel, inn or similar establishment.

You can find more on 'relevant residential purpose' in Notice 708 Buildings and construction.

## 5.3 Examples of works that are not within the Refund Scheme

Common examples of works that are not within the Refund Scheme, and for which you cannot claim, include:

- 'relevant residential purpose' buildings that are used for a business purpose, such as by someone who makes a charge to the resident for staying at the 'home', 'institution' or 'establishment' – see section 3;
- a detached building in the grounds of an existing care home that extends the facilities of the home;
- hospital ward blocks; and
- day care units at hospices.

## 6. Constructing a new charity building

To be within the Refund Scheme you must be:

- eligible to make a claim – see section 3; and
- constructing a building – see paragraph 6.1 – intended for use **solely** for a 'relevant charitable purpose' – see paragraphs 6.2 and 6.3.

Examples of buildings that are not within the Refund Scheme can be found at paragraph 6.4.

### 6.1 What 'constructing a building' means

For the purposes of this section, a building is 'constructed' when:

- it is built from scratch, and, before work starts, any pre-existing building is demolished completely to ground level (cellars, basements and the 'slab' at ground level may be retained) – sub-paragraph 4.1.1 applies in the same way to this section as it does to section 4;

- the new building makes use of no more than a single facade (or a double facade on a corner site) of a pre-existing building, the pre-existing building is demolished completely (other than the retained facade) before work on the new building is started **and** the facade is retained as an explicit condition or requirement of statutory planning consent – sub-paragraph 4.1.1 applies in the same way to this section as it does to section 4;
- a semi-detached building is built; or
- an annexe to an existing building is built – you can find more on what we mean by 'annexe' in Notice 708 Buildings and construction.

## 6.2 What 'relevant charitable purpose' means

A 'relevant charitable purpose' building is a building that a charity uses for non-business purposes.

Information on what 'business' means is in Notices:

- 700 The VAT Guide,
- 701/1 Charities, and
- 701/30 Education and vocational training.

**Remember**, for VAT purposes, activities that do not make a profit, or activities where any profit is only used to further the aims and objectives of the charity, can still be business activity.

Examples of qualifying buildings may, depending on the circumstances, include:

- places of worship; and
- offices used by charities for administering non-business activity, such as the collection of donations.

## 6.3 Concession for minor non-qualifying use

You may not be able to make a claim because you do not intend to use the building **solely** for a relevant charitable purpose.

As a concession, and subject to any necessary approval from Customs, you can ignore minor non-qualifying use (i.e. where the building is not used solely for a relevant charitable purpose). The concession is explained in Notice 708 Buildings and construction.

Before you start your work, you may wish to check that you can use the concession. If so, you should write to us with full facts, including a copy of the relevant plans and planning permission, and a description of how the building will be used. We will not, however, give a ruling unless reasonably satisfied that the project, as described, will take place. So, we will not rule on hypothetical plans or answer “what if” questions. Further information on rulings can be found in Notice 700/6 Rulings.

When you submit your claim you should declare if you are using (or, where necessary, seek approval to use) the concession.

## 6.4 Examples of works that are not within the Refund Scheme

Common examples of works that are not within the Refund Scheme, and for which you cannot claim, include the construction of:

- child nurseries where a fee is charged;
- school buildings where a fee is charged for the provision of education;
- offices used by charities for administering business activities, such as fund-raising events where an entrance fee is charged;
- sport centres and swimming pools;
- theatres; and
- facilities for membership clubs.

## 7. Conversions of non-residential buildings

To be within the Refund Scheme you must be:

- eligible to make a claim – see section 3; and
- carrying out a non-residential conversion – see paragraphs 7.1 to 7.4.

### 7.1 What is a ‘non-residential conversion’?

A ‘non-residential conversion’ takes place when...	and it is converted into a building...
the building (or part) being converted has <b>never</b> been used as a dwelling or number of dwellings – see paragraph 7.2 – or for a ‘relevant residential purpose’ –	‘designed as a dwelling’ – see paragraph 4.2, or intended for use solely for a ‘relevant

see paragraph 5.2, or  in the <b>10 years</b> immediately before the <b>start</b> of the work – see paragraph 7.3 – the building (or part) has not been used as a dwelling or number of dwellings or for a 'relevant residential purpose';	residential purpose' – see paragraph 5.2.
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Examples of a 'non-residential conversion' include the conversion of:

- a commercial building (such as an office, warehouse, shop, etc),
- an agricultural building (such as a barn), or
- a redundant school or church,

into a building 'designed as a dwelling'.

## 7.2 What 'use as a dwelling' means

A building is 'used as a dwelling' when it has been designed or adapted for use as someone's home and is so used. The living accommodation need not have been self-contained or to modern standards. So, buildings that have been 'used as a dwelling', include:

- public houses and shops where any private living accommodation for the landlord, owner, manager or staff is not self-contained – normally because part of the living accommodation, such as the kitchen, is contained within the commercial areas rather than the private areas;
- bed-sit accommodation; and
- crofts.

If you convert these types of property into a building 'designed as a dwelling', or intended for use solely for a 'relevant residential purpose', then, unless the 10-year rule applies, you cannot make a Refund Scheme claim.

## 7.3 How does the 10-year rule work?

You cannot normally make a Refund Scheme claim for work on a building that has previously been lived in. The exception to this is where, when you **start** your work, it has been at least 10 years since it was last lived in and following the work it is an eligible dwelling or residential building.

### 7.3.1 Can I live in the building during the work?

The 10-year rule is measured from when the work starts, not from when you move in. You can live in the building whilst the work is going on, provided you move in on a day after the work starts.

### 7.3.2 How do I know if the building has been unoccupied for 10 years?

You must hold evidence that, on balance, shows the building had last been lived in at least 10 years before you **start** your work. The evidence can include Electoral Roll and Council Tax data, information from utilities companies, evidence from Empty Property Officers in local authorities, or information from other reliable sources. If you hold a letter from an Empty Property Officer certifying that the property has not been lived in for 10 years, you do not need any other evidence. If an Empty Property Officer is unsure about when a property was last lived in he should write with his best estimate. Customs may then call for other supporting evidence.

### 7.3.3 What use can I ignore?

When considering when a dwelling was last lived in, you can ignore any:

- illegal occupation by squatters; and
- use that is not residential in nature (e.g. storage for a business).

If the dwelling has been lived in on an occasional basis (for example, because it was a second home) in the 10 years before you start your work you cannot make a claim.

## **7.4 Can I claim for converting a building that has been used, in part, as a dwelling?**

No. The conversion must only use non-residential parts of the building. If the conversion uses a mixture of non-residential parts of the building and other parts, then a claim will not be eligible for a refund.

For example, a claim will not be paid if you convert a two storey public house containing both private living areas and bar areas (and so was in part being 'used as a dwelling' – see paragraph 7.2) into a single house.

## **8. Goods on which you can claim VAT**

### **8.1 Will I be charged VAT on goods?**

Retailers and builder's merchants charge VAT at the standard-rate on most items they sell.

Builders, however, charge VAT on 'building materials' that they supply and 'incorporate' in a building (or its site) at the same rate as for their work. So, if their work is zero-rated or reduced-rated, then so are the 'building materials'. This does not apply to 'non-building materials' (the VAT on which you cannot claim), which remain standard-rated.

Take care to ensure that you are charged the correct amount of VAT, as you can only reclaim VAT that has been correctly charged. If you are charged VAT in error, your builder may be able to obtain a VAT refund from Customs by adjusting his account with us. Further information on the liability of builders' charges is in Notice 708 Buildings and construction.

## 8.2 Will I be charged VAT on building land or buildings for conversion?

If you are eligible to make a claim – see section 3 – and buy land upon which you intend to construct a dwelling for yourself, the vendor will not charge you VAT provided you declare your intention to him before you buy the land.

Similarly, if you buy a building that is intended (following conversion) for use as a dwelling or solely for a relevant residential purpose, the vendor will not charge you VAT provided you declare your intention to him before you buy the building. If you intend to use the building solely for a relevant residential purpose your declaration must be in the form specified in Notice 742A Opting to tax land and buildings.

If the vendor does not know what your intentions are, you may be charged VAT on the sale price. If you pay VAT to a vendor who was entitled to charge it, neither you nor the vendor can claim it back from us.

## 8.3 On what goods can I claim VAT?

The only goods you can claim for are 'building materials'. We explain what we mean by 'building materials' at paragraphs 8.4 to 8.10. You **cannot** claim for:

- fitted furniture, other than fitted kitchen furniture, whether bought ready to fit, in kit form, or materials for the construction of fitted furniture – further information can be found at paragraph 8.8;
- most electrical and gas appliances, for example, washing machines, dryers, refrigerators and freezers, waste disposal units, door-bells, and electrically-operated doors (or door locks) and gates – further information can be found at paragraph 8.9;
- carpets, underlay and carpet tiles – further information can be found at paragraph 8.10;
- garden ornaments, sheds and greenhouses;
- plant, tools and equipment;
- consumables that are not actually incorporated in the building (e.g. sand paper, white spirit, etc.);
- building land – see paragraph 8.2.

## 8.4 What are 'building materials'?

For VAT purposes, 'building materials' are articles that meet all of the following conditions:

Condition	Description	Further information
1	The articles are 'incorporated' in the building (or its site).	paragraph 8.5
2	The articles are incorporated 'in the course of the construction or conversion' of the building.	paragraph 8.6
3	The articles are 'ordinarily' incorporated by builders in that type of building.	paragraph 8.7
4	Other than kitchen furniture, the articles are not finished or prefabricated furniture, or materials for the construction of fitted furniture.	paragraph 8.8
5	Other than certain exceptions, the articles are not electrical or gas appliances.	paragraph 8.9
6	The articles are not carpets or carpeting material.	paragraph 8.10

## 8.5 What 'incorporated' means

You can only claim for 'building materials' that are 'incorporated' in a building (or its site). This happens when the article is fixed in such a way that its fixing or removal would either:

- require the use of tools; or
- result in either the need for remedial work to the fabric of the building (or its site), or substantial damage to the goods themselves.

Examples of articles 'incorporated' in a building (or its site) include:

- built-in and fitted furniture (**note**, you can only claim for kitchen furniture – see paragraph 8.8);
- built-in, wired-in or plumbed-in appliances such as boilers or wired-in storage heaters (**note**, you can only claim for certain gas and electrical appliances, but not items such as hobs and ovens – see paragraph 8.9);

- flooring (**note**, you cannot claim for carpets – see paragraph 8.10); and
- soft landscaping (such as top-soil and turf), **but** see also paragraph 8.11.

Examples of articles that are not 'incorporated' in a building (or its site) include free standing:

- appliances that are merely plugged in; and
- furniture such as sofas, tables and chairs, etc.

## 8.6 What 'in the course of the construction or conversion' means

This means that the articles are:

- incorporated in the building (or its site) before the construction or conversion of the building is 'completed' – see paragraph 10.3; and
- used to produce works that allow the building to be used – as well as the fabric of the building, this would include works such as drainage, main paths on the site, driveways, retaining walls, and boundary walls and fences.

Examples of works that do not qualify include:

- outdoor leisure facilities such as tennis courts and swimming pools;
- fish ponds, rockeries and other ornamental works; and
- works outside the site of the building.

## 8.7 What 'ordinarily' means

An article is 'ordinarily' incorporated in a building (or its site) when, in the ordinary course of events, it would normally be incorporated in a building of that generic type, such as a dwelling, church, or school. Generic types of building are not split into sub-categories. So, no distinction is drawn between large detached houses and small terraced houses.

The same approach is taken when determining if the goods themselves are the norm for that type of building. For example, a tap would be regarded as being 'ordinarily' incorporated whether it is chromium or gold plated.

Examples of articles 'ordinarily' incorporated in a building can be found at paragraph 8.11.

## 8.8 Furniture

### 8.8.1 What articles are furniture and count as 'building materials'?

Finished or prefabricated kitchen furniture and materials for the construction of fitted kitchen furniture are 'building materials' (and can be claimed) when incorporated in a building.

### 8.8.2 What articles are not furniture but are 'building materials'?

You can claim for:

(a) basic storage facilities formed by becoming part of the fabric of the building, such as airing cupboards and under stair storage cupboards;

(b) items that provide storage capacity as an incidental result of their primary function, such as shelves formed as a result of constructing simple box work over pipes, and basin supports which contain a simple cupboard beneath; and

(c) basic wardrobes installed on their own with **all** the following characteristics:

- The wardrobe encloses a space bordered by the walls, ceiling and floor. But units whose design includes, for example, an element to bridge over a bed or create a dressing table are furniture and cannot be claimed.
- The side and back use three walls of the room (such as across the end of a wall), or two walls and a stub wall. But a wardrobe installed in the corner of a room where one side is a closing end panel is furniture and cannot be claimed.
- On opening the wardrobe you should see the walls of the building. These would normally be either bare plaster or painted plaster. Wardrobes that contain internal panelling, typically as part of a modular or carcass system, are furniture and cannot be claimed.
- The wardrobe should feature no more than a single shelf running the full length of the wardrobe, a rail for hanging clothes and a closing door or doors. Wardrobes with internal divisions, drawers, shoe racks or other features are furniture and cannot be claimed.

### 8.8.3 What articles are furniture but are not 'building materials'?

Other than kitchen furniture (see sub-paragraph 8.8.1) you cannot claim for finished or prefabricated furniture and materials for the construction of fitted furniture, such as:

- wardrobes (other than basic wardrobes described at sub-paragraph 8.8.2) including basic wardrobes installed as part of a larger installation of furniture in the room;
- vanity units;
- wall units, such as bathroom cabinets;
- laboratory work benches; and
- pews, choir and clergy stalls.

## 8.9 Electrical and gas appliances

You cannot normally claim for electric and gas appliances, even if they are required to be incorporated in a building as a requirement of Building Regulations. You can, however, claim for them when the conditions at paragraph 8.4 are met and they are:

- designed to heat space or water (this includes cookers designed to have a dual purpose to heat the room or the building's water);
- designed to provide ventilation, air cooling, air purification, or dust extraction;
- door entry systems, waste disposal units or machines for compacting waste that are intended for use in a building designed as a number of dwellings, such as a block of flats;
- burglar alarms, fire alarms, fire safety equipment or devices for summoning aid in an emergency (but not telephones or electric gates and barriers);
- lifts or hoists; or
- fixed amplification equipment in places of worship.

**Note** Appliances powered by other fuels are 'building materials' when they are ordinarily incorporated in the building. For example, solid fuel or oil-fired cookers incorporated in a building are 'building materials' and can be claimed.

## 8.10 Carpets

Carpets, carpet tiles and underlay are not 'building materials' for VAT purposes and cannot be claimed.

Other forms of flooring or fixed floor covering, such as vinyl, ceramic tiles, parquet and wooden floor systems are 'building materials' and can be claimed.

## 8.11 Examples of items 'ordinarily' incorporated in a building

Articles accepted as being 'ordinarily' incorporated in a building (or its site) are listed below. This is not a complete list. Remember, these articles are only 'building materials' (and can be claimed) when they meet all the conditions at paragraph 8.4.

- Air conditioning;
- Bathroom accessories, such as fixed towel rails, toilet roll holders, soap dishes, etc.;
- Builders' hardware;
- Burglar alarms;
- Curtain poles and rails;
- Decorating materials;
- Doors;
- Dust extractors and filters (including built-in vacuum cleaners);
- Fencing permanently erected around the boundary of the dwelling;
- Fireplaces and surrounds;
- Fire alarms;
- Fitted furniture (**note**, you can only claim for kitchen furniture – see paragraph 8.8);
- Flooring materials (**note**, you cannot claim for carpets – see paragraph 8.10);
- Gas and electrical appliances when wired-in or plumbed-in (**note**, you can only claim for certain gas and electrical appliances – see paragraph 8.9);
- Guttering;
- Heating systems (including radiators and controls, ducted warm-air systems, storage heaters and other wired in heating appliances, gas fires and solar powered heating);
- Immersion heaters, boilers, hot and cold water tanks;
- Kitchen sinks, work surfaces and fitted cupboards;

- Letter boxes;
- Lifts and hoists;
- Light fittings (including chandeliers and outside lights);
- Plumbing installations, including electric showers and 'in line' water softeners;
- Power points (including combination shaver points);
- Sanitary ware;
- Saunas;
- Shower units;
- Smoke detectors;
- Solar panels;
- Solid fuel cookers and oil-fired boilers;
- Swimming pools inside the building, including water heaters and filters but not diving boards and other specialist equipment;
- Turf, plants and trees (**note**, you can only claim to the extent that they are detailed on a landscaping scheme approved by a planning authority under the terms of a planning consent condition);
- TV aerials;
- Ventilation equipment (including cooker hoods);
- Window frames and glazing; and
- Wiring (including power circuits and computer, telephone and TV cabling).

Other examples, for 'relevant residential purpose' and 'relevant charitable purpose' buildings, can be found in Notice 708 Buildings and construction.

## **9. Services on which you can claim VAT**

### **9.1 Will I be charged VAT on services?**

If you are constructing a new building, your builder's services should be zero-rated to you.

For conversions, a builder can sometimes charge VAT at the reduced rate of 5% or, if you are a housing association, at the zero rate.

You should be careful to ensure that you are charged the correct amount of VAT, as you can only reclaim VAT that has been correctly charged. Further information on the liability of builder's services and how they tax goods is explained in Notice 708 Buildings and construction.

## **9.2 On what services can I claim VAT?**

In general, whether you are constructing or converting a building, you cannot claim VAT on services. For example, you can never claim for the VAT on:

- professional and supervisory services, including the fees of architects and surveyors, and any other fees for management, consultancy, design and planning; and
- the hire of plant, tools and equipment (such as generators, scaffolding, skips and temporary fencing).

If, however, you are carrying out the conversion of a non-residential building – see section 7 – you can claim the VAT charged by your builder for converting the building.

## **10. When to make your claim**

### **10.1 Can I make claims as the work progresses?**

No. You can only make a single claim when the construction or conversion of the building is completed.

### **10.2 Is there a time limit for making a claim?**

Yes. Claims must be made no more than three months after the construction or conversion is completed. If you wish to make a claim but cannot do it within the three months allowed by law, you should write to Customs explaining the reasons for the delay.

### **10.3 How will I know when the work is 'complete'?**

Normally this is when it has been finished according to the original plans. In cases of doubt, a building can be regarded as still under construction up until the date when a certificate of completion is issued by the local planning authority.

## 11. How to make your claim

### 11.1 What forms do I fill in?

A claim pack consisting of the following forms is available from our National Advice Service (Tel: 0845 010 9000):

- VAT 431 part 1 – Claim form
- VAT 431 part 2A – Description of building and quantities of goods and materials used
- VAT 431 part 2B – Description of services for DIY conversions
- VAT 431 part 3 – Goods, materials and services claimed for which the invoices show VAT separately
- VAT 431 part 3 continuation sheet
- VAT 431 part 4 – Goods, materials and services claimed for invoices not showing VAT separately
- VAT 431 part 4 continuation sheet

Alternatively the forms can be printed from our web site ([www.hmce.gov.uk](http://www.hmce.gov.uk)).

You must fill in part 1.

You may list the information for parts 2, 3 and 4 on plain paper or a computer spreadsheet provided it is given in the same format. You must, however, complete the 'total' boxes on parts 3 and 4.

If you have bought a prefabricated house kit, you do not need to list those items. Just send with your claim the supplier's specification listing all the items in the kit and list any other items you use.

### 11.2 What do I send to the claim Processing Unit?

When making a claim you need to send in:

- the claim forms – see paragraph 11.1 – remember to fill in your full name and correspondence address and the address of the building you are claiming for;
- your claim calculations – see section 12 and paragraph 11.1 above;

- the VAT invoices and other documents that support the amount of your claim – see paragraph 11.4;
- evidence that the construction or conversion is completed – see paragraph 11.5;
- a copy of the Planning Permission;
- the plans of the building; and
- if you are claiming in respect of a building to be used for a relevant charitable purpose, a declaration as to whether you are using (or seek approval to use) the 'minor non-qualifying use' concession – see paragraph 6.3.

**Note**, we suggest you keep a copy of your claim as we may ask you questions about it.

## 11.3 Where do I send my claim?

You should send your claim to the DIY Builders and Convertors VAT Refund Scheme Processing Unit covering the postcode for the building being claimed for. The National Advice Service (Tel: 0845 010 9000) can tell you where your Processing Unit is.

## 11.4 VAT invoices

You must send with your claim all your invoices, bills, credit notes and other documents that support the amount of your claim. These must be originals and not copies.

You must have a VAT invoice for all of the eligible goods and services you claim for. The goods or services must have been supplied to you and we may ask you to prove that you have paid for them. The VAT invoice must show:

- the supplier's VAT registration number;
- the quantity and description of the goods and/or services;
- your name and address if the value is more than £100; and
- the price of each item.

## 11.5 Evidence of 'completion'

This evidence can be:

- a certificate or letter of completion from the local authority, for Building Regulations purposes or otherwise;

- a habitation certificate or letter from the local authority (or in Scotland, a temporary certificate of habitation);
- a valuation rating or Council Tax assessment; or
- a certificate from your bank or building society saying:

“This is to certify that the ..... Bank\*/Society\* released on ..... (date) the last instalment of its loan secured on the dwelling\*/building\* at ..... because it then regarded that building as complete.”

\* delete as applicable

## 11.6 When will I get my refund?

If there are no enquiries, you should normally get your refund within 30 working days of us receiving your claim.

We will acknowledge receipt of your claim by letter within 10 working days and try to ask any questions we have about your claim at the same time.

## 12. Working out your claim

### 12.1 How do I work out the amount of VAT?

First, check that you have been charged VAT – see paragraphs 8.1 and 9.1. There is no VAT to claim on zero-rated goods and services, nor on supplies bought from someone who is not VAT registered.

If you have been charged VAT, your invoice will normally show the amount of VAT separately. Sometimes only the tax inclusive amount and the VAT rate will be shown. You can work out the amount of VAT you have been charged on these invoices as follows:

Tax inclusive amount  $\times (7 \div 47) = \text{VAT at 17.5\%}$

Tax inclusive amount  $\times (1 \div 21) = \text{VAT at 5\%}$

### 12.2 Credits and discounts

You must reduce your claim to reflect any credits or discounts given by your supplier, such as for returned goods or bulk purchases.

## **12.3 Apportionment for non-eligible goods and services**

Where an invoice includes goods and services that you cannot claim for – see sections 8 and 9 – you must reduce your claim by an appropriate amount.

If you receive an all-inclusive invoice from a contractor you must be able to show that the amount of your claim is fair and reasonable, such as by using tendering, estimation or specification documents agreed with your contractor.

## **12.4 What if I have been charged an incorrect amount of VAT?**

VAT that has been charged in error cannot be claimed from Customs and Excise. When an error occurs, such as when VAT is charged on work that should be zero-rated, your supplier must correct it.

## **12.5 Building materials bought in other EU member states**

You can claim back the VAT paid on building materials bought in any member state of the EU. For the purposes of your claim, you should convert the amount of VAT you have been charged to sterling.

## **12.6 Building materials imported from outside the EU**

You can also claim back the VAT paid on importing building materials into the EU. When making your claim you must provide evidence of the VAT paid, together with the originals of any shipping or transit documents showing the importation of the goods from abroad.

## **Do you have any comments?**

We would be pleased to receive any comments or suggestions you may have about this notice. Please write to:

**HM Customs and Excise  
Construction and Utilities Team  
4th Floor West  
New King's Beam House  
22 Upper Ground  
London  
SE1 9PJ**

## If you have a complaint or suggestion

If you have a complaint please try to resolve it on the spot with our officer. If you are unable to do so, or have a suggestion about how we can improve our service, you should contact one of our Regional Complaints Units. You will find the telephone number under 'Customs and Excise - complaints and suggestions' in your local telephone book. Ask for a copy of our code of practice 'Complaints and putting things right' (Notice 1000). You will find further information on our website at <http://www.hmce.gov.uk>.

If we are unable to resolve your complaint to your satisfaction you can ask the Adjudicator to look into it. The Adjudicator, whose services are free, is a fair and unbiased referee whose recommendations are independent of Customs and Excise.

You can contact the Adjudicator at:

**The Adjudicator's Office**  
**Haymarket House**  
**28 Haymarket**  
**LONDON**  
**SW1Y 4SP**

**Phone: (020) 7930 2292**

**Fax: (020) 7930 2298**

**E-mail: [adjudicators@gtnet.gov.uk](mailto:adjudicators@gtnet.gov.uk)**

**Internet: <http://www.adjudicatorsoffice.gov.uk/>**

## Update 1 issued January 2005

**This update amends certain paragraphs in the Notice dealing with where to send your claim, when to expect your refund and correcting the liability of VAT incorrectly charged.**

<b>Section</b>	<b>Amendments</b>
<b>9</b>	<b>Services on which you can claim VAT</b>
<b>9.1</b>	<b>Will I be charged VAT on services?</b>  Insert a new sub-para after "You should be careful...Buildings and construction." <ul style="list-style-type: none"><li>• "Do not wait until your project is finished before ensuring that you have been charged the correct rate of VAT. A VAT registered trader's time limit to correct liability is restricted to 3 years from the time of supply."</li></ul>

<b>11</b>  <b>11.3</b>	<b>How to make your claim</b>  <b>Where do I send my claim?</b>  Amend para. to read:  "You should send your claim to the DIY Builders and Convertors VAT Refund Scheme Processing Unit. The Unit's address is:  HM Customs and Excise 2 Broadway Broad Street Five Ways Birmingham West Midlands B15 1BG"
<b>11.6</b>	<b>When will I get my refund?</b>  Amend 2nd sub-para to read:  "We will acknowledge receipt of your claim by letter within 10 working days. In that letter, if there are no queries concerning your claim, we will give you a date by which you should expect to receive your refund."