

## **Guideline Leaflet PC13: VAT and Church Buildings**

VAT in relation to church buildings is vast and complicated. This short guide is intended to pick up some of the initial queries occurring when a church is about to undertake a new building project be it large or small, or it is planning to do some remedial works of repair.

This Guideline Leaflet is regularly reviewed and updated. To ensure that you are using the most up to date version, please download the leaflet from the BUGB website at [www.baptist.org.uk/resources](http://www.baptist.org.uk/resources)

The date on which the leaflet was last updated can be found on the download page.

# PC13: VAT and Church Buildings

**These notes are offered as guidelines by the Legal and Operations Team to provide information for Baptist churches.**

**The legal services undertaken by the Legal & Operations Team of the Baptist Union of Great Britain are carried out and/or supervised by a Solicitor who is authorised and regulated by the Solicitors Regulation Authority. Regulatory Information is available here:**

[L17 Legal and Operations Team – Regulatory Information](#)

**These notes can never be a substitute for detailed professional advice if there are serious and specific problems, but we hope you will find them helpful.**

**If you want to ask questions about the leaflets and one of the Baptist Trust Companies are your property trustees, you should contact them. They will do their best to help.**

**If your church property is in the name of private individuals who act as trustees they may also be able to help.**

## INTRODUCTION

It is worth pointing out at the outset that VAT is vast and complicated. This short guide is intended to pick up some of the initial queries occurring when a church is about to undertake a new building project be it large or small, or it is planning to do some remedial works of repair. Please note that other considerations may be applicable such as providing facilities for the disabled. The table below is only a guide and not an exhaustive list of all possibilities or variations. In some cases VAT is chargeable but if the church is a registered charity some or all of the VAT can be reclaimed. If there is any doubt refer to an appropriately experienced property professional. It is important to fully plan the VAT strategy as an early task within any building venture but especially for large projects. VAT cannot be reclaimed after a new build project has been completed and reclaimed VAT should be within a single period of construction, not broken into phases separated by a length of time.

Types of Project	Rate of VAT
Approved alterations to church buildings	20%
Construction of a new commercial building	20%
Construction of a new building to be used by a charity for non-business but for relevant charitable or residential purposes	0%
Approved alterations with substantial reconstructions to listed buildings	0%
Renovation or alteration of empty residential premises, installation of energy saving products	5%

General information: VAT Notice 708 from HMRC 20 July 2018

[www.gov.uk/government/publications/vat-notice-708-buildings-and-construction/](http://www.gov.uk/government/publications/vat-notice-708-buildings-and-construction/)

## CONSTRUCTION OF A NEW CHURCH BUILDING

Where a new church building is constructed, it qualifies for zero rating. Zero rating will extend to the demolition of any existing structures on the site. The church must confirm eligibility to the contractor for zero rating.

If any part of an existing building is retained, then there is a risk that the zero rating may be lost. The church must take great care not to choose to retain a particularly attractive feature unnecessarily. NB Planning Permission may require the retention of part of an existing building. Adding 20% onto a bill already in the £millions will be another large amount of finance to find.

The inclusion of an area for business use will attract VAT for that part. If the business use can be restricted to a specific part of the building, then zero rating cannot apply to that part but can still be

retained for the remainder. A café is a frequent example of this. Should the whole building be deemed to have mixed use, then zero rating will not apply. In such circumstance, consideration should be given to registration of VAT.

Even if the building work is zero rated or the VAT can be reclaimed, the church will still pay VAT on professional fees; on a large project this is potentially many thousands of pounds. If your project is of sufficient size it is possible to mitigate the VAT on the professional fees by the church forming its own development company, to which the trustees award a "design & build" contract for the proposed works. Such a contract may be zero-rated on the whole of the cost including the professional fees. Be aware of additional administrative and other costs associated with operating a development company – take good advice and look at the bigger picture.

Some items of a furniture or equipment nature such as carpets, fridges, chairs etc will always incur VAT at the standard rate – this is because they are not deemed to be articles ordinarily installed by builders and can be removed without the use of tools.

### **CONSTRUCTION OF AN 'ANNEXE' TO AN EXISTING BUILDING**

Zero rating applies to the construction of an annexe to an existing building. The distinction between an extension (on which you would pay VAT as normal) and an 'annexe' is often problematic. To be classed as an 'annexe' your project would need to fulfil the following specific conditions:

- The annexe is to be used entirely for non-business purposes.
- The purpose of such use must be distinct from, but related to, the use of the existing building.
- An annexe should be only partially integrated with the main building.
- The existing building and the annexe must have separate entrances.
- The annexe must be capable of functioning separately from the existing building ie separate conveniences.

### **LISTED CHURCHES – LISTED PLACES OF WORSHIP SCHEME**

The intention of the Listed Places of Worship Scheme (LPWS) is to assist in the upkeep of a building with a heritage interest and therefore to ease the burden so often applicable in the costs associated with the repairs of listed buildings.

Claims under the LPWS are only paid after the works have been carried out. VAT will be charged at the full rate in the meantime. Notably a shared use hall will need to demonstrate that its primary use is as a place of worship above any of the other uses.

There is a dedicated website, and an advice service is available to claimants: [www.lpwscheme.org.uk](http://www.lpwscheme.org.uk)

- Only listed buildings are eligible. To be listed, your church must be grade I, II or II\*.
- Only works carried out to repair or maintain the building are eligible.
- The works must have been undertaken to the fabric of a protected building. The fabric includes its foundations, walls, roofs, rainwater goods, drainage, internal surfaces, floors, stairs, landings, lightning conductors and all its doors and windows.
- Services supplied in connection with the repair works, such as plumbing, electrical (eg temporary/emergency lighting and generators), and any other building services (including the hiring of scaffolding) are eligible.
- Work to fixtures and fittings, such as kitchen or toilet fitting, heating and electrical system, floor coverings, furniture, pews, organs, bells or clocks are eligible.
- Construction of new buildings or parts of buildings is not eligible.
- Work to ancillary structures such as gravestones and graveyard monuments, boundary walls, gates, gardens or car parks are not eligible.
- The costs of professional services such as those provided by architects, surveyors, planning supervisors, accountants or any person acting as a consultant or in a supervisory capacity are eligible.
- The minimum value of works eligible for the scheme is £1,000 (excluding VAT).

- An application may comprise a number of smaller claims, but each claim must apply to works that are eligible under the scheme and together generate a total claim of no less than £1,000 net.

## **Savills**

Savills are a multi-disciplinary property consultancy of surveyors and planners working with the Baptist Union at national, regional and individual church levels. Further information is available from Mark Watt [Mwatt@savills.com](mailto:Mwatt@savills.com)

Association Trust Company	Contact
<b>Baptist Union Corporation Ltd</b> <b>East Midland Baptist Trust Company Ltd</b>	Baptist Union Corporation Ltd Baptist House PO Box 44 129 Broadway Didcot Oxfordshire OX11 8RT Telephone: 01235 517700
<b>Heart of England Baptist Association</b>	Heart of England Baptist Association 480 Chester Road Sutton Coldfield B73 5BP Office Mobile: 0730 505 1770
<b>London Baptist Property Board</b>	London Baptist Association Unit C2 15 Dock Street London E1 8JN Telephone: 020 7692 5592
<b>Yorkshire Baptist Association</b>	17-19 York Place Leeds LS1 2EZ Telephone: 0113 278 4954
<b>West of England Baptist Trust Company Ltd</b>	West of England Baptist Trust Company Ltd Little Stoke Baptist Church Kingsway Little Stoke Bristol BS34 6JW Telephone: 0117 965 8828

This is one of a series of *Guidelines* that are offered as a resource for Baptist ministers and churches. They have been prepared by the Legal and Operations Team and are, of necessity, intended only to give very general advice in relation to the topics covered. These guidelines should not be relied upon as a substitute for obtaining specific and more detailed advice in relation to a particular matter.

The staff in the Legal and Operations Team at Baptist House (or your regional Trust Company) will be very pleased to answer your queries and help in any way possible. It helps us to respond as efficiently as possible to the many churches in trust with us if you write to us and set out your enquiry as simply as possible.

The Legal and Operations Team also support churches that are in trust with the East Midland Baptist Trust Company Limited.

**If your holding trustees are one of the other Baptist Trust Corporations you must contact your own Trust Corporation for further advice. A list of contact details is provided above. If you have private trustees they too should be consulted as appropriate.**

**Contact Address and Registered Office:**

Support Services Team, Baptist Union of Great Britain, Baptist House, PO Box 44,  
 129 Broadway, Didcot OX11 8RT  
 Tel: 01235 517700 Fax: 01235 517715 Email: [legal.ops@baptist.org.uk](mailto:legal.ops@baptist.org.uk)  
 Website: [www.baptist.org.uk](http://www.baptist.org.uk) Registered CIO with Charity Number: 1181392

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