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How to Reclaim VAT on Your Building Project

VAT can be claimed back on many elements of self build and conversion projects. Self build VAT expert Andrew McDonald explains how to navigate the process

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Value added tax (VAT) could count for 20% of the budget on a self build or conversion project, but it's possible that you could reclaim most of that money back from HMRC once the build is completed.

However, large amounts of VAT can be lost because the opportunity to reclaim the tax is overlooked or given low priority during the build.

It is also difficult to rectify errors or mistakes down the line.

Ensuring that you incur the minimum amount of VAT overall on your project is key to its financial success.

VAT Reclaim Rules

The **DIY Housebuilders Scheme** (Notice [VAT121NR](#) for new builds and Notice [VAT121C](#) for

- building a new house



The project **has to create a new dwelling in its own right**, so the majority of new build projects will fall into this bracket. Extensions, refurbishments and annexes, for example, do not create a new dwelling in their own right, and so are not eligible.

To claim, your project must be eligible and lawful, for personal occupation by you or a family member and evidence of completion must be provided. Some [planning permissions](#) include conditions or restrictions on use or occupancy, which may mean that the project is not eligible.

If your project changes in nature during the course of works (e.g. from an extension to a demolition and new build), then to be eligible you must obtain planning permission confirming this before works continue.

For every self build, HMRC will request to see valid planning permission, which will include your detailed plans, as well as evidence of completion, usually in the form of a completion certificate, habitation certificate or a valuation office listing letter.

Only one claim is allowed and all relevant documentation and invoices (which we'll come onto) have to be submitted to HMRC within three months of your completion certificate being issued.

You will usually get the refund within 30 working days of sending in the claim.

Consider the VAT implications before starting your self build or conversion project.



Your project

Find out how much your self build will cost with our Build Cost Calculator

Getting this right is very important, as HMRC will not refund any VAT that has been incorrectly charged.

For new builds, conversions, and renovations that bring a dwelling that has not been lived in for 10 years back into use as a dwelling:

- The supply of **materials only** is always at the standard rate of VAT, which is currently 20% (5% on some energy items). You can recover all of the VAT incurred on eligible materials via the scheme.
- The supply of **labour only** or the **joint supply of labour and materials** should be at the zero rate (0%) for new builds and at the reduced rate, currently 5%, for conversions and renovations that bring a dwelling that has not been lived in for 10 years back into use as a dwelling. At the end of the project, the owner can reclaim the 5% VAT on eligible joint supply of labour and materials.

Obtain and keep all relevant invoices to ensure that you can recover all eligible VAT.

Remember, you can recover the eligible VAT on invoices that include both eligible and non-eligible items.

On



scratch, providing it is to be used by you or your relatives as a family home for residential or holiday purposes. Any existing building must be demolished to ground level. Where required by planning consent, an existing façade can be retained

- **Garages for use with the new dwelling** and covered by planning permission at the same time
- **Conversions that create a new dwelling.** [Converting a non-residential building](#), for example, a barn, old church, business premises, into a new dwelling
- **Renovations** that bring a dwelling that has not been lived in for 10 years back into use as a dwelling
- If the new build or conversion is a **holiday home** for you and your family's personal use
- **Landscaping and outside works** covered by your [planning permission](#). This may include paving, fencing, turf and shrubs, and so on.

Projects You Cannot Claim VAT Back on Include:

- **Extensions and self-contained accommodation** (for example, a granny annexe) that do not create an independent dwelling in their own right, unless built at the same time as part of a new dwelling
- **Separate buildings** that are part of your planning permission, apart from a garage – for example, a garden store or a detached swimming pool building
- **Refurbishments of existing dwellings**



Examples of the materials you can claim VAT back under the DIY Housebuilders' scheme:

- **All materials normally incorporated in a new dwelling** – all construction materials, for example, concrete, blocks, bricks, insulation, sand, cement, plaster, timber, roofing, stairs, windows, guttering, doors, paint, etc
- **Electrical and plumbing materials**
- **Fitted furniture** such as kitchen units and worktops
- **Extractor fans**
- **Fittings**, such as light fittings, wooden floor systems, linoleum, floor tiles, door furniture, fireplaces and fires, fixed towel rails, mirrors, solar panels, boilers, sewage treatment plants, TV aerials, curtain poles
- **Swimming pools and saunas** inside or linked to the new dwelling
- **Delivery charge** included on an invoice for materials

Materials you Cannot Claim VAT Back on Include:

- **Equipment hire**, for example, scaffolding, JCB hire (machine only), WC hire, etc
- **Consumables**, for example, paint brushes, hand tools, etc
- **Professional fees**, for example, architects' fees, Standard Assessment Procedure (SAP) Calculations, project manager
- **Kitchen appliances**, including those integrated. for example hob.

- **Carpets**



Getting Advice on Reclaiming VAT

Many tradespeople and contractors are not experienced in dealing with the VAT rules on new builds and eligible conversions.

They sometimes say: 'it doesn't matter now, as you will get the VAT back at the end anyway'.

However, this is not true. Don't leave it to the contractor.

If you are unsure of any aspect of VAT on your project, engage the services of a professional to help you get it right.

If your project changes in nature during the course of works, for example, from a remodel to a demolition and new build, you must obtain the appropriate paperwork to prove this.

Special Circumstances

- Renovations to dwellings empty for two years or more are eligible for the reduced rate of VAT of 5% via a VAT-registered contractor
- Works involving a net change in the number of dwelling units are also eligible for the reduced rate of VAT of 5%. Examples include converting two cottages into one

VAT.



Valid VAT Invoices

Ensure you retain all valid VAT invoices, as the **originals must be submitted to HMRC** with your claim.

Electronic payment receipts and emails confirming orders are not valid VAT invoices and so any VAT paid is potentially lost.

Invoices should include:

- the supplier name
- their VAT number
- the invoice date
- a description of the goods supplied (and services if applicable)
- the value of the invoice

If one of your tradespeople/contractors uses their trade account to source your materials and so is in their name, ensure that you pay the supplier direct and keep the evidence, as it will be required.

The VAT incurred on invoices from VAT-registered suppliers in the EU can be claimed too, as long as the invoice includes the relevant information (including their VAT number).

Many purchases are made online these days, so ensure that you obtain a valid VAT invoice when buying, as this may prove difficult to obtain at a later date.

- Ensure your project is eligible



contractor to supply materials, as you won't be able to reclaim VAT on those materials

- Ensure that you are charged the zero rate of VAT on the supply of labour only and the joint supply of labour and materials on new builds
- Obtain valid VAT invoices as you go and keep them safely together
- Keep all of your relevant invoices together
- Ensure your claim is made within three months of completion
- Engage the services of a professional to ensure you recover the maximum amount of VAT and so minimise its impact on your budget

About the Author

Andrew McDonald (MAAT FCCA) is a qualified accountant who has built his own house.

He prepares and submits VAT claims for domestic clients and assists clients who require VAT advice throughout their project.

He also deals with HMRC reviews and appeals, and tribunal cases following rejected VAT claims.





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