



VAT and church buildings

This is a summary of The Churches Main Committee Circular No 1997/6, which is the latest circular on this subject.

VAT is, in principle, a comprehensive tax, charged at a standard rate, currently 20%, on all goods and services supplied by a taxable person in the course of a business, unless those goods and services are specifically exempt or zero-rated. The normal activities of churches such as weddings, funerals, Sunday services etc are outside the scope of VAT.

1. Purchases by a church

Construction services, zero-rated by supplier

1. Construction of a new church, subject to the issue to the builder of the appropriate certificate (VAT Notice 708, appendix A) (hereafter referred to as "the certificate" and available from the Diocesan Registry). A church building is regarded as new if it is a new and physically separate building.
2. Construction of a new church hall, subject to the issue of the certificate, provided that the hall is to be used for the provision of social or recreational facilities for the good of the local community.
3. A connected annex: - An annex connected by a door or corridor to an existing church is treated in the same way as a fully independent structure separate from the existing building. The construction work is zero-rated provided that the annex is intended to be used for a non-business purposes (or a church hall or similar), is capable of functioning independently from the existing building, has its own main entrance, does not provide the main entrance to the existing building and is covered by the certificate.
4. An approved alteration to a listed church, which is subject to the Ecclesiastical Exemption (which applies to listed Church of England churches), is zero-rated subject to the issue of the certificate. Alteration does not include any "incidental" alteration to the fabric of the building, which results from the carrying out of repairs or maintenance.
5. Demolition where the work is in the course of construction or re-construction, which will itself be zero-rated, and the demolition is down to ground level (but leaving foundations or a single facade wall).

Construction Services - standard rated by supplier

1. Repairs and maintenance of church buildings
2. Alterations and extensions to church buildings which are not listed.

Construction Services - miscellaneous provisions

1. Bells and organs: The cost of installing bells or a fixed organ in a new church is, like the construction of the church itself, zero-rated. The provision of new or additional bells or organs in an existing church, and work

on the repair or maintenance of existing bells and organs is standard rated, unless the church is listed. In the case of a listed church, the installation and/or alteration of organs or bells may be either standard-rated or zero-rated, depending on whether the work is in the course of works of alteration to the fabric of the building.

2. Materials and builders' hardware supplied in the construction of a church or church hall, or alterations to listed church or hall: -

Zero-rated: Altars, fonts, lecterns, pulpits, amplification equipment, central heating systems, lighting systems and security systems

Standard-rate: pews, choir and clergy stalls

3. Aids for handicapped persons on church premises The supply of goods or services for the following works are zero-rated when carried out on existing church premises: -

- a) The construction of ramps, or widening doorways or passages, or widening pathways from the gate to the porch, including any preparatory work or making good, provided that the work is carried out for the purpose of facilitating a disabled person's entry to or movement within the building.
- b) The installation of a chair lift or stair lift designed for use in connection with invalid wheelchairs, and the repair or maintenance of any such lift, including work done on it to improve safety.
- c) The installation of a lift in a newly built annex to a church building with independent main access, where there is also internal access from the church. Subsequent repairs and maintenance to such a lift are standard-rated.
- d) The installation of an induction loop system for the use of hearing-impaired persons and its subsequent repair and maintenance are zero-rated. (The provision of a general public address system is standard rated unless it is a first time installation in the course of a new church building).

But note that parishes have been advised that the supply and installation of amplification equipment is zero-rated if installed in a listed building and involves alteration to the fabric of the building and is not merely plug-in portable type equipment – see also sub paragraph 2 above.

- e) The provision, extension or adaptation of a lavatory for use by a disabled person in a church building, provided that the building is used principally for church or other charitable purposes and the provision, extension etc is necessary to facilitate the use of the lavatory by a disabled person.

Other purchases

1. Water charges for the supply of water to churches and church halls are zero-rated
2. Fuel and power supplies are subject to a reduced rate of 5% provided that any business activities of the church, e.g. admission charges to premises or the letting of church buildings, represent no more than 40% of the total usage of the building. Where business use is 40% or more supplies are apportioned. 5% rate is applicable on a de minimis basis where the supplies do not exceed 2,300 litres of fuel oil, gas oil, or kerosene, or 10,000 kw hours of electricity per month.

3. Professional fees e.g. charges made by solicitors, architects surveyors are standard rated
4. Some pre-printed envelopes etc used for fund raising are zero-rated.

The relevant legislation which allows for zero-rating of approved alterations to listed buildings is found in Group 6 of Schedule 8 to the 1994 VAT Act. In case of doubt always refer to your local Customs and Excise office.

2. Helpful hints from other parishes

If you have a query write to the local Customs and Excise office enclosing proper plans, specifications and other details of the works involved. The date and grade of the Church are vital information. Be non confrontational in dealing with Customs and Excise using such phrases as "we are seeking your guidance on how much of the work is standard-rated and how much in zero-rated". If they respond that some or all the work is zero-rated, make a few copies of the letter and keep it in a safe place.

When engaging the contractor, make it plain that some or all of the work is zero-rated and give him a copy of the letter from Customs and Excise.

Always write for information and do not rely on VAT Booklets. A booklet advised that a new lighting scheme was standard-rated: - following a detailed letter to the office, 90% of the scheme was zero-rated. Small details can make a difference - an organ that is plugged into a socket is standard rated but if it is wired into the wall socket it becomes zero-rated.

3. Listed Places of Worship Grant Scheme

This is a grant scheme by the Government to return in grant aid the full 20%VAT spent on eligible repairs and maintenance to **listed** places of worship. This is an interim grant scheme pending a European Commission review of VAT rates. Further information and details of how to apply can be found at <http://www.lpwscheme.org.uk/> or 0845 6015945

4. Notes on the use of certificate provided in Notice 708 Appendix A

The responsibility for zero-rating lies with the builder. Before he can zero-rate his services the customer must give him two copies of the completed certificate together with any supporting documents and plans (one copy for his records and one for Customs and Excise). If the builder has any doubts about zero-rating he should check with the local VAT Business Advice Centre.

Zero-rating is only available if a certificate is issued and the certificate is received by the main contractor before their supply is made.

Work to an existing building is generally standard-rated but there are some exceptions. One of these is approved alterations to protected buildings and these works can be zero-rated under certain conditions. The basic principles of this relief are:

1. The work must be to a protected building as defined in VAT law (in the context of the church, a listed church subject to the faculty jurisdiction) and to the fabric of such a building.

2. The work must both require and be granted a faculty
3. Before work starts the appropriate qualifying use certificate (i.e. the Appendix A certificate) is obtained.
4. The work, even if approved by faculty, must not be works or repair or maintenance.
5. If the building is repaired or maintained, but in that process is incidentally altered, the work is standard-rated.
6. Mixed work may be apportioned between the qualifying zero-rated alterations and the standard-rated elements.

Any alteration to a building given faculty approval can be zero-rated subject to the principles outlined above being met.

Provided a builder holds evidence that the building is listed and that the works have faculty approval and a certificate has been provided, he can zero-rate:

1. The services he supplies in carrying out an approved alteration
2. The building materials which he uses in connection with the alteration work.

APPENDIX A

Certificate for Developers and Building Contractors in respect of Relevant Residential and Relevant Charitable Buildings

THIS CERTIFICATE HAS THE FORCE OF LAW

1. Name and address of business(es)/charity(ies) using the building:

VAT Registration number (if applicable):

2. Address of qualifying premises (if different from above):

3. Date (or estimated date) of completion of building:

Estimated value of supply £

4. I/We certify that I/we have read the current edition of VAT Notice 708 Buildings and construction. This certificate is being issued in respect of the supply described in that Notice at paragraph 3.3, sub paragraph:

- (1) The first grant of a major interest in a relevant residential building **yes/no**
- (2) The first grant of a major interest in a relevant charitable building **yes/no**
- (3) The first grant of a major interest in a building converted into a relevant residential building **yes/no**
- (4) The construction of a relevant residential building **yes/no**
- (5) The construction of a relevant charitable building **yes/no**
- (6) The construction of an annex to a relevant charitable building **yes/no**
- (7) An approved alteration to a relevant residential building **yes/no**
- (8) An approved alteration to a relevant charitable building **yes/no**
- (9) The conversion, for a relevant housing association, of a building into a relevant residential building **yes/no**

5. I/We certify that the information given above is correct and complete. I am/We are aware of the law as contained in Group 5 or Group 6 of Schedule 8 of the VAT Act 1994 and claim relief accordingly. I/We also certify that this organisation (in conjunction with any other organisations where applicable) is to use this building or identified parts of the building solely for a qualifying purpose. I/We understand that if the building or zero-rated part of it is disposed of, let or otherwise used for a non-qualifying purpose within the period of ten years from the date of its completion, a taxable supply will have been made, and this organisation (and any other organisations where applicable) will account for tax at the standard rate.

Name (print):

Position held:

Signed:

Date:

6. Name, address and VAT registration number of developer or building contractor:

7. Date certificate received by developer or builder:

8. Date certificate received by VAT office:

Warnings: -

1. There are penalties for the issue of a false certificate. If you are unsure about anything covered by this certificate you must seek help from your local VAT Business Advice Centre.
2. Receipt of a certificate cannot zero-rate supplies where relief is otherwise denied by the notes to Groups 5 and 6 of Schedule 8 to the VAT Act 1994

Customs and Excise reserve the right to alter the format of the certificate through the publication of a new Notice. You must ensure that the certificate used is current at the time of issue.