

## Pub Conversions – VAT Issues

### Issues

The reduced rate of VAT of 5% **can** apply to conversions that involve a change in the number of single household dwellings in a building, such as a conversion of a pub to a house or flats.

The extent of the reduced rating will depend on the exact nature of the conversion works.

If the criteria for reduced rating are not met and VAT is charged at 20% rather than 5%, this will, at best, be a cash flow issue and, at worst, be an absolute cost. It is therefore important to maximize the use of reduced rating where possible.

### Opportunity

Opportunity to maximise reduced rating and therefore make cash flow or absolute savings by considering the VAT implications early.

For example, a project which involves converting a pub with a self-contained flat above into two flats, one of which occupies the same area as the old flat will only qualify for reduced rating in part. However, if the pub and flat had been converted such that two flats were created, both including part of the former pub, reduced rating should be available for all the conversion works.

### How we can help

If engaged early enough, we can advise on the nature of the works where there is flexibility in this, in order to ensure reduced rating is maximised.

We can also advise on potential recovery of the VAT incurred.

For further advice concerning any of the issues raised, please contact one of our key individuals detailed below. Information on other property tax related topics can also be found on our website at <http://bankingtaxfinance.davislangdon.com>

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