

HERITAGE HANDICAP

Tax takes its toll on historic homes

Britain's VAT rules mean that it's cheaper for redevelopers to build a mock Georgian terrace than restore the crumbling original, says Stephen Killick

Throughout Britain historic buildings are being demolished rather than restored because of the cost and complexity of planning regulations and taxation. It is often far quicker and more profitable for developers to build a mock Georgian terrace on the site of a run-down Georgian home than to carry out a restoration.

"The whole situation is a minefield of complication and cost," says Bob Chapman, who heads the heritage division of King Sturge, the property consultant. "The government needs to radically simplify VAT charges on maintaining and redeveloping listed buildings because, at the moment, it can act as a massive barrier for those developers keen to bring a listed property back to life."

When developers look at restoring a listed or historic building the onus is on them to prove that VAT should not be charged at the standard rate. There is no general relief for historic and listed buildings, while any new homes built are automatically zero-rated.

What tax relief is granted depends on individual circumstances. Customs and Excise will not grant any zero-rated relief retrospectively so any conversion or redevelopment has to get planning approval and listed building consent before work can begin.

"And you need to be an expert in this field," says Chapman. "Often the big name developers are not prepared to see their profit eroded in securing tricky planning consents for historic buildings which can take an age. It is often far quicker to demolish what is on site and start again, particularly if the property is in a bad state of repair."

SAVE Britain's Heritage, the conservation group, publishes an annual catalogue of historic buildings that have fallen into neglect and decay and includes Grade II listed buildings in England, and all grades of listed property in Wales. This year's list features 110 endangered buildings although, as secretary Adam Wilkinson admits: "This is only the tip of a huge iceberg. English Heritage's buildings at risk register for Grade I and Grade II* buildings runs into thousands. We are currently facing a crisis akin to the 1950s when we lost so many fine country houses, and it is all so unnecessary."

Wilkinson points to numerous anomalies in the taxation laws and cites a housing association which will be forced to pay VAT at the full rate of 17.5 per cent on the cost of refurbishing an inner city row of terraced houses for residential use while developers can save vast sums in VAT by simply knocking them down and rebuilding, rather than reusing parts of



Victorian mansion set for better days: Baldwyns mansion at Baldwyn Park, which became the Bexley Mental Hospital in south-east London, is being converted into apartments

an existing structure. He says: "It is a totally illogical situation, especially given the government's stated priorities of regeneration, when someone has to pay tax on restoring a listed property but can build a new home alongside it VAT-free."

Yet, for those prepared to take time and incur the costs there can still be enormous benefits for a bold development team. "And buyers just love living in converted, historic buildings," says Stephen Stone of homebuilder Crest Nicholson, which undertakes a lot of period conversion work. "It is just a case of persuading the VAT man that what you are doing should be exempt, and it can throw up some interesting arguments."

One of Stone's regular debates is over the thorny subject of windows. "I want to put in double glazing to accord with modern building regulations which is a replacement," he says, "although, as far

as the VAT man is concerned, it is a repair so I should pay 17.5 per cent. It's daft, but it shows you the sort of thing you have to go through."

For years an old Victorian tram station

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has been slowly wasting away on the banks of the River Avon in the centre of Bath. Occupied by a flea market, the area was a depressing eyesore. Future Heritage provided the historic building exper-

tise while property company Frogmore gave the financial muscle to restore and market a new mixed-use scheme, known as The Tramworks, which has been a hot seller.

John Mulholland at King Sturge's Bath office put the deal together. "It gave everyone what they wanted and has created a hugely attractive scheme while revitalising this part of the city which was pretty grotty, to say the least." The planners loved it because new offices and the creation of the largest restaurant in Bath have generated extra jobs. Above the old stone building are 24 riverside apartments. More than half have been sold off plan.

Barry Morgan of Morgan Restoration specialises in the redevelopment of historic houses in London and the south-east. "Planners have become increasingly keen on seeing fine old properties brought back to life even if not that

many developers want to get involved," he says. "If you know the ropes, VAT can be reclaimed even though there are still a number of very grey areas."

Morgan's latest project is the redevelopment of the Victorian Baldwyns mansion at Baldwyn Park which became the Bexley Mental Hospital in south-east London. A range of one- to three-bedroom apartments will be available shortly before Christmas with prices ranging from £225,000 to £400,000. The property had been listed and its restoration was part of the planning consent granted to a developer which sold it on to Morgan's company.

"They didn't want it but I did," he says. "And I will also be able to get the VAT back. It is just sad to think that many of the new homes being developed will probably not last nearly as long as those which have been knocked down and replaced."