

Making a mockery of tax laws

VAT makes building a copy cheaper than restoring a period building, writes **Barbara Oaff**

MANY people appreciate Britain's historic buildings and some realise their dream to live in one of them. New VAT regulations, however, mean it is often more economical, as well as more practical, to build a mock – Elizabethan house than to restore the genuine article.

New buildings don't attract VAT – they are automatically zero-rated. Not so for a house with a history, for which the onus is on the owner or the developer to prove why VAT should not be charged at the full and standard rate.

Say you wanted to install some double glazing: you may argue that this is a replacement and replacements can be VAT-exempt, but the Inland Revenue might argue that your window dressing is a repair, which would attract VAT.

Most experts agree that understanding what is and isn't allowed is extremely difficult. The rules are not black and white, says Julian Potts of Landmark PT, a consultancy specialising in property VAT. Coming to appreciate the differences is very complicated and very confusing and, potentially, very expensive.

Having to budget for up to an extra 17.5 per cent on everything soon adds up. Old buildings swallow up more money than new ones in any case, but having to pay a tax on top of that puts the costs up even more, says Barry Morgan of Morgan Restoration, a South-

east-based company that specialises in historic renovations.

Morgan is one of many people in the trade who argues that it is easier and cheaper to build a fake version than to revive the real thing. He says you'd save yourself a lot of pain, a lot of heartache and a lot of cash if you went for the new rather than the old.

Some claim that this situation is deterring people from taking on historic buildings. Bob Chaman, head of the heritage division at King Sturge, a nationwide property con-

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stantancy, is not alone in saying that the cost and the confusion surrounding VAT can be off-putting to both professional developers and individual buyers.

Save Britain's Heritage, a conservation group, agrees. It estimates that some 14,000 historic buildings have fallen into neglect because of the onerous tax implications. Secretary Adam Wilkinson, says the list will grow longer still while the scandalously unfair VAT laws remain in place.

One property developer, who preferred not to be named, offered a rather pessimistic view of what was to come. We are already knocking down our heritage and replacing

it with a poor imitation. If we're not careful we'll end up being a country full of silly little dolls' houses rather than grand historic homes.

There is hope, however, and some people are still prepared to take on the challenge despite the financial and bureaucratic hassles of repairing a relic.

'We hear from thousands of people who are totally absorbed in doing up an old property,' says Matthew Slocombe, deputy secretary of the Society for the Protection of

Ancient Buildings. They are completely wrapped up in what they are doing and no amount of VAT or red tape changes that.

Paul Drake, who asked for his name to be changed, would not have it any other way. He and his wife bought an abandoned farmhouse just outside the village of Sedbergh in the Yorkshire Dales in 1997 and are just adding the final finishing touches now.

'It has taken three times as long and cost three times as much as we originally expected,' says Drake. 'But it's been worth it. There is over 300 years of history in these walls and we get a tremendous pleasure from living within them.'

Richard Rose also appreciates the enduring character of historic homes and is aware of their profit potential. Rose, an electrical contractor and DIY whiz, recently helped renovate his mother's home – a seventeenth century cottage in Hawkshead in the Lake District which has just been put up for sale.

Rose is confident of a good price. 'It will be enough to cover our costs and leave some left over – definitely.' He adds: 'It's not easy but it is still possible to make money from doing up an old house.'

For years, campaigners have been lobbying the Government to level the VAT playing field. A pilot programme suggests they may see a breakthrough, though possibly not straight away.

For the past three years, the Isle of Man has been levying only 5 per cent VAT on maintenance and repairs to domestic homes. This experiment has recently finished and the results pleased everyone, including lovers of historic buildings.

It is now up to the EU to decide whether this rate can be introduced throughout the UK. Lobbyists are optimistic, but don't hold your breath. For the foreseeable future, the authentic will continue to be a more expensive and a more complicated proposition than the imitation, much to the detriment of Britain's built heritage and its fans.

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