

# FUNDING FOR CHURCH BUILDINGS: VAT

## FUNDING SHEET 3

Before getting committed to any repair or development work, and even before embarking on fundraising, it is vital to be clear about the effect of VAT. The last few years have seen a number of developments in this area, and not surprisingly the effect has been widespread confusion.

### Using a non-registered contractor

The easiest way to avoid paying VAT is to use a contractor whose turnover is below the annual threshold, which in 2012/13 was £77000. There are a number of sole traders, especially specialist craftsmen, who fall under this category, but for larger works such as reroofing, it will be harder to find non-registered contractors with the capacity to undertake the work. The DAC Secretary or your architect may know of suitable non-registered contractors.

### Standard rated or zero rated

Be clear about the distinction here. “Zero rated” means that VAT need not be charged. It used to be the case that alterations to listed churches could be zero rated: this ceased from March 2012, subject only to certain transitional provisions.

Nearly all work to churches must now be standard rated, so VAT must be paid. As will be explained below, it may then be possible to reclaim the VAT.

### Repairs

All repair work and associated fees will be standard rated, but for some years the government has operated a system of recovery of VAT on repairs to listed churches, under the Listed Places of Worship scheme [www.lpwscheme.org.uk](http://www.lpwscheme.org.uk). All the details of the scheme, including the various exclusions, can be found on this website.

It is essential to note that there are now strict time limits within the Listed Places of Worship scheme, and you are strongly advised to make early application for recovery of your VAT.

### Alterations to listed churches

From 1<sup>st</sup> October 2012, it will be possible to reclaim VAT spent on approved alterations to listed churches, by applying to the Listed Places of Worship scheme.

## Memorials

There is an entirely separate VAT reclaim scheme in respect of memorials – again covering new memorials or repairs to existing ones. The definition of memorial can include stained glass. Disappointingly, it has proved impossible to recover VAT on churchyard memorials, including repairs to table tombs, even if listed. Full details of the scheme are available from [www.memorialgrant.org.uk](http://www.memorialgrant.org.uk)

## New construction

It is possible to zero rate construction of new buildings for the exclusive use of a charity for relevant charitable purposes. See VAT Notice 708. A PCC can benefit from this provision, however the definitions are complex and you will need to take advice.

## Advice on VAT

Her Majesty's Revenue and Customs have a charity hotline 0845 302 0203.

Alternatively if yours is a larger or more complex scheme, it may be worth employing a VAT consultant. Someone who has helped a number of churches in our diocese is Mr Francis Golden, who before retirement worked for Her Majesty's Revenue and Customs, and, as a churchman, has made a deep study of VAT as it relates to churches, church halls, conference centres, etc.

He is happy to be consulted informally over the phone, but if substantive work is needed on your behalf to reclaim tax, he will need to be engaged professionally, and his rate is 20 percent of the tax recovered. No tax recovered – no charge. He can be contacted at Barrons Cuckoo, Portfield Gate, Haverfordwest, SA62 3LL, on 01437 762278, or mobile 07817 954705, e-mail [fjgolden@btinternet.com](mailto:fjgolden@btinternet.com)

If you need further advice in relation to this guidance sheet, please contact us at Church House on 01452 410022 or by email at [dac@glosdioc.org.uk](mailto:dac@glosdioc.org.uk)