



· INSTITUTE · OF · HISTORIC ·
BUILDING · CONSERVATION

Making Heritage Work

European Commission
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Dear Sirs

THE FUTURE OF VAT

The Institute of Historic Building Conservation (IHBC) is the professional body of the United Kingdom representing conservation specialists and historic environment practitioners in the public and private sectors. The Institute exists to establish the highest standards of conservation practice, to support the effective protection and enhancement of the historic environment, and to promote heritage-led regeneration and access to the historic environment for all.

Thank you for giving us the opportunity to participate in this consultation.

We wish to respond to two of the consultation questions (Questions 6 and 20) so far as they apply to the imposition of VAT on the property sector in relation to new construction and maintenance and repair. We are particularly interested in these questions in relation to property recognized as being of heritage value.

In doing so we support the thrust of the arguments already forwarded to you by English Heritage (EH) and the Built Environment Forum Scotland (BEFS).

Q6. Which of the current VAT exemptions should no longer be kept? Please explain why you consider them problematic. Are there any exemptions which should be kept and, if so, why?

Q20. Would you prefer to have no reduced rates (or a very short list), which might enable Member States to apply a lower standard VAT rate? Or would you support a compulsory and uniformly applied reduced VAT rates list in the EU notably in order to address specific policy objectives as laid out in particular in 'Europe 2020'?

The problem

The problem that we perceive in the UK is that the maintenance and repair of property is VAT rated at 20% while new construction, including major alteration to property, is zero rated. This has the effects of:

- ◆ creating a disincentive to timely property maintenance and repair;
- ◆ creating an incentive to prefer major alterations to maintenance and repair.

Most member states have schemes of heritage designation and regulation that promote the conservation of built heritage for the enjoyment of present and future generations.

Most member states have obligations or codes of practice for sustainable development and reduction of resource consumption neither of which are well served by new construction being VAT rated lower than maintenance and repair.

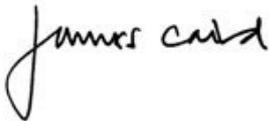
The remedy

To provide a Europe-wide fiscal incentive to heritage protection, sustainable development and the reduction of resource consumption, we would like to see a mandatory provision that VAT rates on property maintenance and repair should never be higher than those on new construction and with the opportunity for them to be set at a nil rate.

As a limited example of the benefits of such an arrangement, we would cite the UK's Listed Places of Worship Grant Scheme which acts as a VAT rebate system which has had a major impact on the retention of heritage assets in churches listed as being of architectural and historic importance. We think it would be clearly preferable for lower rates of VAT to be available for works to all types of heritage asset.

Such a revised VAT regime would assist in reducing resource use, limit environmental impacts and thereby help to ensure security of essential resources which are the main thrusts of *A Resource-efficient Europe – Flagship initiative under the Europe 2020 Strategy* [COM(2011) 21 – Section 3].

Yours faithfully



James Caird
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