



Bath Heritage Watchdog
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VAT: Addressing Borderline Anomalies

7. Approved Alterations to Listed Buildings

Bath Heritage Watchdog objects to the proposals which would see VAT being charged on approved alterations to protected buildings.

A listed building is described in the legislation as one that the Secretary Of State has identified as having sufficient architectural or historic importance that it should be preserved for those reasons alone. Furthermore, the Secretary of State can order repairs to a deteriorating listed building or even compulsorily purchase a listed building in need of repair to save it from deterioration, such is the importance attached to such properties. Given that the owner of the building can ask to be exempted from repaying the sums incurred on the grounds of hardship, it seems particularly perverse that increased taxation can be proposed that would contribute to that hardship.

Bath is in a somewhat unique position in that it is the only UK World Heritage City and it has in excess of 5000 listed buildings ranging from monumental set pieces to ordinary terraced houses. Therefore proposals such as these are of tremendous concern.

ECONOMY

The desire to close tax loopholes in the current economic climate is understood. However it should be remembered that owners of listed buildings fall within a wide variety of income levels – from large corporate companies to pensioners. Corporate companies tend to care for their listed assets with due diligence. Owners at the lower end of the income scale (eg pensioners who may particularly require alterations, some to cope with progressive disability) will be particularly hard hit, especially as there will always be additional costs involved where traditional building materials to match originals are specified.

There are few grants available, and those which do exist are generally not available to private householders. Undoubtedly in Bath the majority of owners are private households. Often these owners have inherited the buildings, or their building has been listed after purchase. Loss of the VAT break will remove what little fiscal assistance there is, and reduced affordability will inevitably result in some measure of deterioration of buildings which are of national importance and should be preserved as such. We should be actively helping these owners and not penalising them. They are, after all, custodians of our national heritage.

INAPPROPRIATE ALTERATIONS

The idea that removing the zero rated status for approved alterations will help reduce the 'incentive for change as opposed to repair' on the face of it would appear to have some merit, but the same outcome could be achieved by reducing the VAT levied on repairs.

However, if concern over inappropriate alterations is genuinely at the heart of these proposals (and we remain to be convinced of this), additional Government guidance on what is acceptable for listed buildings (as once existed as part of Planning Policy Guidance 15 but has lapsed as each superseding document watered it down) plus a requirement that Local Planning Authority must employ sufficient skilled and specialist Conservation Officers to rigorously scrutinise Listed Building Applications and to take enforcement action where necessary, should ensure that inappropriate and unnecessary works are not carried out. Decisions on whether work is necessary should be made by these specialists rather than being attempted through taxation. Such decisions should always be based on good heritage and conservation knowledge rather than monetary incentives.

VIABILITY & SUSTAINABILITY

As a group we spend a considerable amount of time trying to encourage the reuse and restoration of protected buildings. Generally the best way of securing the upkeep of historic buildings and areas is to keep them in active use. For the great majority this must mean economically viable uses if they are to survive, and new, and even continuing, uses will often necessitate some degree of adaptation. It is sometimes the case that alteration benefits the building, the wider community and visitors, not just the owner.

Community based projects which are often based in the heritage sector have very limited funding and little scope for raising the extra money that would be required. Such projects are often based around the regeneration of an historic building. Such projects will, in due course, go on to raise other revenue streams from employment, business rates, etc. Such revenue streams would be ongoing and not short term. These proposals will undoubtedly be the tipping point of whether such projects go ahead or perhaps court more mainstream businesses where high carbon, unsustainable development is favoured. This conflicts with the NPPF which is stated to have a 'presumption in favour of sustainable development'.

We believe that it is wrong to isolate protected buildings from the overall development and construction industry. The tax treatment of the entire sector needs to be examined. It is a missed opportunity to address the overall anomalies in the building industry. It is perverse for example that VAT is levied on changes to an existing building but is not levied on new build. This often means that it is more advantageous for developers to demolish a perfectly serviceable building in order to rebuild. Nowhere does this take account of the fact that it is often more sustainable and 'green' to retain and restore an existing building. We believe that further tax breaks should be introduced for owners of protected buildings which could be counterbalanced by tax levies on less sustainable sectors of the construction industry.

BUILDINGS AT RISK

The sector which is perhaps most likely to suffer under these proposals are the thousands of buildings at risk. These buildings often require substantial and sometimes technically difficult work in order to ensure their survival and bring them back into use. The imposition of additional monetary constraints will undoubtedly mean that these projects will not proceed and indeed people will be deterred from taking on such buildings. This could mean that more of our irreplaceable buildings will simply deteriorate and crumble away.

There is also a concern that removing this exemption could result in owners not applying for consent for alterations and carrying out the work anyway. Unauthorised works to listed buildings is already a serious problem, especially where reductions in staff means that enforcement cases are often not dealt with.

SKILLED CRAFTSMEN

If the overall level of work to listed buildings reduces as a result of these proposals there is concern that traditional craft based businesses and contractors who specialise in conservation work, such businesses which are often local and small in size, will suffer at a time when they are already struggling to remain viable. This will have an ongoing impact on the heritage sector.

TOURISM

Our historic buildings and sites form the backbone of our tourism industry. Something that Bath depends on. Any deterioration in the condition and quality of our built heritage will have a knock on effect on tourism levels.

CHURCHES

Our ecclesiastical buildings, besides the spectacular abbeys and minsters, provide essential community buildings, village halls and other community spaces. These amenity spaces are often looked after by local villagers and small community groups with no actual income stream. The changes proposed will significantly raise fundraising targets for those very community projects which often provide such necessary amenities as disabled toilet and access or kitchens, making the use of these protected building assured.

SUMMARY

The proposals being consulted on are considered to be detrimental to the well being of our heritage buildings as well as the associated heritage businesses. If any changes are to be made at all we would suggest that a single lower rate of 5% is levied across the board thus equalising the status of all works and reducing the fiscal burden.

We call on the Government to revise these latest proposals.