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Public Petitions Committee
Room T3.40
The Scottish Parliament
Edinburgh
EH99 1SP

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SCOTTISH PARLIAMENT PUBLIC PETITION PE 1444

Thank you for your letter of 14 December, in which you seek the UK Government's view on the suggestion that repairs to listed tenement buildings should either be VAT exempt or liable to a reduced rate of VAT.

On the suggestion that such repairs be exempt from VAT, the position is very clear in that there is no scope to introduce such an exemption because there are no provisions within the European VAT legislation that allow for an exemption from VAT for repair work to listed buildings, or indeed for any other building work. In the absence of such legal vires, the UK would be unable to introduce such an exemption. It is worth remembering that any changes to the European legislation would require the unanimous approval of all 27 Member States.

The alternative suggestion is that the UK Government introduces a reduced rate of VAT for repairs to listed tenement buildings. While the European VAT Directive does allow Member States to introduce reduced rate of VAT for certain repairs to housing, it would be difficult to justify a cut to work on listed buildings without also cutting the VAT on comparable work to unlisted buildings. In addition, it would not be possible to



introduce a reduced VAT rate on a regional basis and so any such cut would apply equally to all areas of the UK.

A cut in VAT on home repairs, maintenance and improvements would have an estimated cost of at least £2 billion a year to the Exchequer. The cost of the relief would have to be met either from increasing other taxation, which would have an adverse impact on those bearing the additional tax burden, or from increased borrowing, which would risk raising interest rates. Higher interest rates and falling international confidence would undermine the recovery and have an adverse impact on families and small businesses. For these reasons, the Government has no plans to introduce a reduced VAT rate in this area.

David Gauke MP