

PE1749/F

Scottish Government submission of 5 June 2020

Thank you for your letter dated 25 March 2020 regarding the above.

I apologise for the delay in my response which results from the current Covid-19 emergency. As I am sure the Committee appreciates, the scale of the challenge in responding to the emergency, and the likely longer term effect on the economy, may, in turn, impact on the timing and implementation of some of the activities outlined in this letter.

You asked the Scottish Government:

What contact has been had with the UK Government in relation to reducing VAT on repairs and alterations to dwellings

As we advised previously, VAT is currently reserved to the UK Parliament and, as such, the Scottish Government presently has no power to make changes. Scottish Ministers have, however, written on a number of occasions to the UK Government on the subject of VAT reduction for repairs and alterations. The issue cuts across a range of policy areas including the historic environment, housing, regeneration, infrastructure, energy and climate change. We have consistently taken the view that the current position of the UK Government – in which construction of new housing is zero rated, while most building work such as renovations, extensions, conversions, repairs and refurbishments is standard rated – is anomalous.

Most recently, the issue was raised by the Cabinet Secretary for Environment, Climate Change and Land Reform in a letter to the then UK Minister of State for Energy and Clean Growth, Claire Perry MP in May 2019. In that letter we again called on the UK Government to reduce VAT on energy efficiency improvements in homes as part of its commitment to legislate for net-zero. We recognise the potential incentive that VAT reduction might provide for the maintenance and reuse of historic environment assets.

Whether the OPiT working group could be made aware of the proposals raised in the petition.

Officials will ensure that the members of the OPiT Built Heritage Investment Group (BHIG) are made aware of the proposals raised in the petition. At the most recent meeting of the Strategic Historic Environment Forum (SHEF) on 5 December 2019, chaired by the Cabinet Secretary for Economy, Fair Work and Culture, VAT reduction on repairs was discussed in the context of potential incentives for maintenance. Members of the BHIG were present at that meeting to present the interim findings of their work. The Forum was generally supportive of the idea of a reduction in VAT for repairs but considered that the economics of any case would need to be clear for the UK Government to consider it seriously.

One of the key concerns to emerge from the BHIG has been the opportunities that the reuse and repair of existing assets might offer for the historic environment to make a clear contribution to Scotland's ambitious climate change targets. Energy efficiency measures and retrofit options can present challenges for traditional

buildings which require careful consideration, but it is important that historic and traditional buildings are not seen as a barrier to achieving targets and that the full benefits that they present, particularly in terms of embodied energy, are recognised. Although the group's work under OPiT has been delayed due to the urgent need to respond to the Covid-19 emergency, these issues will be taken forward when the group resumes its activity, in the context of our climate commitments and green economic recovery.