

# Budget 2008



BN79

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## VAT: OPTION TO TAX LAND & BUILDINGS

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### Who is likely to be affected?

1. Anyone who makes supplies of land and / or buildings.

### General description of the measure

2. This measure will simplify the legislation relating to the option to tax land and/or buildings. It will also introduce minor changes to enable taxpayers to revoke an option to tax after 20 years and make a number of associated changes to improve practical administration of the option to tax.

### Operative date

3. The rewritten legislation will have effect on and after 1 June 2008. The earliest date an option to tax will be revocable will be 1 August 2009.

### Current law and proposed revisions

4. The law relating to the option to tax land and buildings for VAT is contained in Schedule 10 to the VAT Act 1994.
5. A Treasury Order will be laid after Budget 2008 to insert a revised Schedule 10 into the VAT Act and make certain consequential changes to other VAT legislation, including new appeal rights. This will be accompanied by a public notice having the force of law.
6. A number of associated changes to improve practical administration of the option to tax and its revocation will be included in the legislation. These deal with:
  - opted properties held in a VAT group;
  - opted buildings acquired for use as dwellings or relevant residential purpose and bare land acquired for construction of building for such purposes;
  - the introduction of a new option to simplify the option to tax process for taxpayers with a number of properties;
  - early revocation of an option to tax within a "cooling-off" period;

- the automatic lapse of an option to tax six years after the taxpayer ceased to have any interest in a property that they had previously opted to tax;
- the ability, in certain circumstances, to exclude a new building from a previous option to tax; and
- late applications for permission to opt to tax.

### **Further advice**

7 If you have any questions about this change, please contact James Ormanczyk on 020 7147 0484 (email [james.ormanczyk@hmrc.gsi.gov.uk](mailto:james.ormanczyk@hmrc.gsi.gov.uk)). Further guidance and information will be published when the Treasury Order is laid. Information about Budget measures is available on the HM Revenue & Customs website at [www.hmrc.gov.uk](http://www.hmrc.gov.uk)