

Can I reclaim VAT on my yard's improvements?

I am about to convert a tumbledown farm building into a small equestrian livery property; planning permission has been obtained. Can I claim back the VAT that has been and will be paid on the improvements? I am proposing to let out the livery yard.

MA, Hants

VAT paid for on improvements is classed as "input" VAT, which refers to VAT a company is charged when it makes purchases. Input VAT can be reclaimed by a VAT-registered individual on any non-residential (business) building at any time, according to Julie Butler of Hampshire Chartered Accountants, Butler & Co.

"However, this is provided you make an 'opt to tax'," Julie said. "When you opt to tax, it means you will be entitled to input VAT deduction; in addition, the rent you charge the tenant will have to have 'output' VAT added to it — VAT which your company charges on items sold.

"Also, the opt to tax cannot be revoked for 20 years once made, so if you sell the building at any time before 2029, you will have to charge VAT on the sale."

According to Julie, the tenant of your yard will probably not charge VAT on the liveries, as the majority of livery

services are exempt under the Business Brief 21/2001.

"The VAT on the rent could therefore be a disadvantage to your tenant, given that the rent you charge them will have output VAT added to it," she said. "The answer is therefore to look at what lies ahead now, and do the maths.

"There could be a VAT disadvantage in the long run. Although if the tenant was, for example, a racehorse trainer whose owners could claim back the VAT, there would not be such a problem. Discussions must therefore take place with the tenant as to their plans in the future, and it is worth doing forward projections." H&H

INFORMATION

Butler & Co
Tel: 01962 735544
www.butler-co.co.uk

Ask Us?

Send your equine related questions to HHadvice@ipcmedia.com



Do the VAT maths before making improvements on your yard

HORSE & HOUND • 1 OCTOBER 2009