



Julia Casimo

VAT problems for developers in the credit crunch

Q. I own a small property company and have recently finished building a couple of new houses for sale. I'm finding it hard to sell the houses on, so I'm considering renting them out for a short time. I am registered for VAT and I reclaimed the VAT on the materials etc used in building the houses. I've read somewhere that renting the houses out could cause VAT problems have you anything to suggest?

A. This is becoming more and more of a problem with the credit crunch. Many developers are considering letting out recently built properties while they wait for buyers to re-enter the market and prices to stabilise.

Unfortunately the VAT recovered by you while you built the houses could be put at risk of having to be repaid because of the VAT exempt rent received from the short term let. H M Revenue & Customs are aware of the problem and appear to be actively policing the building sector in the hope of recovering large amounts of VAT.

Q. Is there anything that can be done to minimise the potential VAT loss, I have reclaimed many thousands of pounds on materials etc?

A. As with all of these problems it is important to take professional advice from an accountant experienced in VAT matters and certainly before you begin to rent out the property.

We have assisted several businesses to find a way around the problem. With suitable advice and a properly structured reorganisation it is possible to avoid your company having to repay the VAT it reclaimed on the build whilst the property is let in the short term.

As with many decisions you really do need to take independent financial and tax advice. If you would like our help call Julia on **0151 228 8977** at **John Kerr Chartered Accountants** 369-375 Eaton Road, West Derby, Liverpool L12 2AH. Authorised and regulated by The Financial Services Authority

