

Input tax recovery on remedial building services
[The National House Building Council \[2010\] UKFTT 326 \(TC\)](#)

The National House Building Council (NHBC) is a non-profit distributing company whose primary purpose is to help raise standards in the new house-building industry and to provide consumer protection to new homeowners.

Whenever a NHBC registered builder completes a new home they pay a fee to the NHBC. After passing an inspection by the NHBC the building is accepted for cover under the NHBC's Buildmark Policy. Under the policy the builders are under an obligation to put right relevant defects. If they fail to do so the NHBC will either pay the home owner the costs or engage a third party builder to undertake the work at the NHBC's expense. It is the VAT on these supplies which is at the centre of the dispute.

NHBC argue the services are used for the purposes of its taxable transactions of ensuring compliance with warranties undertaken by registered builders in favour of homeowners. In other words, NHBC discharges the registered house builder from their obligations by engaging another builder to undertake the work. NHBC argue they are acting for and on behalf of the original builder and supply these services on to the original builder. HMRC contend the services are used for the purposes of NHBC's exempt supplies of insurance services.

The Tribunal found that on examination of the arrangements and agreements, NHBC's liability is as insurer and it is on risk from when the Buildmark policy is granted. The building services by the third party builder are received by NHBC as principal and are incurred in relation to the exempt supply of insurance to the homeowner, not in relation to any taxable supplies to the original builder. The appeal was dismissed.