

Reduced rate refurbishment of student accommodation
[Opel Carleton Ltd](#)

This case concerned the refurbishment of student accommodation for the University of North London. The refurbishment services were supplied to Opel Carleton Limited (Opal), who argued that the work related to dwellings and was therefore entitled to the reduced rate of 5% as a “changed number of dwellings conversion”. The accommodation originally consisted of 277 rooms with shared toilet and kitchen facilities and was refurbished to consist of 145 self-contained studio units. HMRC argued that the refurbishment was part of an overall scheme to provide student accommodation and as such should be standard rated as use was for a ‘relevant residential purpose’ before and after the works were carried out. Opal accepted that the accommodation prior to the works was for a relevant residential purpose, but stated that this was then viewed as dwellings after the works, because each studio had a kitchen, lounge and shower facilities.

The Tribunal held that the 5% VAT rate is an exception to the general rule (ie.e 17.5%) and as such the legislation in that regard must be interpreted strictly. It was held that the development was of halls of residence for students and the refurbishment was for upgrading of the student units, which are relevant residential units and not dwellings, and as such the appeal was dismissed.

Comment

Whether or not the 5% rate will apply is often not straightforward and a decision to apply it will need to be properly supported. Contact 4 Eyes Ltd if this is relevant.