

Zero rated construction of a 'village hall'

[New Deer Community Association v HMRC \[2015\] UKUT 0604 \(TCC\)](#)

Background

This case concerns the construction of a new building by a charitable community association, comprising mainly changing room facilities and equipment storage area. The association applied for VAT zero rating under relevant charitable purpose. The question was whether the new building was used as a village hall or similarly in providing social or recreational facilities – VATA 1994, Schedule 8, Group 5, Item 2, Note (6)(b). The appeal was refused on the facts.

The case was brought on appeal to the Upper Tribunal which upheld the decision of the First-tier Tribunal, that the design of the building was relevant to the extent that it dictated what uses were reasonably practicable. It was entitled to find, on the evidence before it, that a building used primarily to provide changing room facilities and storage for sporting equipment was not used as a village hall or similarly. It was correct to hold that the statutory definition would be extended to an unacceptable length if it were suggested that any room used for social or recreational activities could be used as a village hall or similarly. Whilst the Upper Tribunal did not share the Tribunal's view that the existence of a large multipurpose hall is a necessary feature in order to meet the legislative test, it noted that this would likely be a favourable indicator if present.

Comment

Zero rating this type of building will provide significant capital savings. It is essential however that the relevant tests are met. Businesses are advised to take appropriate VAT advice for any construction project as early as scheme appraisal stage.

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