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VAT Enquiry on commercial property with residential elements

1 message

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Hello Mohamed

I have been asked to expand further upon your initial enquiry

The Scheme is intending to buy a commercial property with a residential element? Is there already a sitting commercial tenant in the property, and is the residential element occupied by someone who runs their business from the commercial element, ie is there an ongoing "job related" connection between the residential and commercial portions?

If the property is currently unoccupied, then even if the intention is to find a tenant as soon as possible, the fact that there is even the slightest of delays means that the Scheme is holding residential property, and since it is empty, the "job related" exemption doesn't apply, which would result in a tax charge.

And, obviously, if the residential portion is occupied as allowed under the "job related" exemption, is that person completely unconnected from the Scheme and it's members? I just need to make sure.

A scheme can be registered for VAT, but this is ultimately undesirable, since rental income, further property purchase, etc will all have to be VAT-chargeable and reclaimed.

There is an alternative way whereby the Trustees come together to form a partnership to purchase the property, and it is this partnership which is registered for VAT. This keeps the Scheme outside of the requirement to register for VAT.

But it would be unwise to progress much further until/unless we can satisfy ourselves that the residential portion of the property would not result in punitive tax charges being levied against the Scheme.

Regards,

Tony McCartney

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