

V.A.T. AND THE **QUANTITY SURVEYOR**

We have attended a few workshops presented by specialists in the field of value added tax, and while they have been very enlightening, it is clearly apparent that very few people outside of our profession understand the intricacies of quantity surveying documentation. I have taken the liberty of compiling a “practice note” on how I understand the V.A.T. Act and our profession. I invite and would appreciate criticism of any nature.

1. Contracts for buildings used solely (100%) for residential purposes – Zero Rated

This would in the main apply to domestic residences and blocks of flats, and would include any garages, boundary walls, paving, etc.

Specifically **excluded** would be the following:

- Commercial rentable establishments
- Hostels
- Old age homes
- Staff accommodation (such as teachers accommodation at a school)

2. Contracts for extensions to an existing building used solely for residential purposes – Zero Rated

This would apply only to additional bedrooms, bathrooms, living space, etc.

3. Contracts for improvements or maintenance to an existing building used solely for residential purposes – Standard Rated

This would apply to the following:

- All repairs and maintenance, repainting, etc.
- Addition of lapas, carports, boundary walls, pavings and garages.
- Addition of swimming pools.
- Addition of security gates, alarms and burglar proofing.
- Addition of air-conditioning units.

4. Contracts for buildings used for both residential and non-residential purposes – Standard Rated

This would typically apply to a multi-storey building with ground floor shops and flats above, as it is not a building used solely (100%) for residential purposes.

5. Contracts for a number of new buildings, some for residential purposes and some for non-residential purposes – Zero Rated & Standard Rated

Only in this instance would Section 3 (16) of the VAT Act apply, which states that if a “supply” consists of both standard rated and zero rated supplies, they should be deemed as separate supplies.

This would typically apply to a retirement village comprising residential units as well as a separate administration/business/retail building.

In this instance the residential units would be zero rated and the administration building standard rated.

6. ADDITIONAL NOTES

- Professional fees on both zero rated and standard rated contracts are subject to 15% value added tax.
- Interest payable by an Employer to a Contractor as a result of late payments is zero rated.
- Penalties payable by a Contractor to an Employer for late completion are zero rated.
- Sub-contractors on a zero rated contract will add 15% V.A.T. to their contracts with the main contractor, who will in turn claim this V.A.T., together with V.A.T. paid on his building materials purchased, back from the Receiver of Revenue.

D.B. WICKS

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