



2 Years Empty Reduced VAT Rate

The following is a summary of the key information as set out in HM Revenue & Customs Notice 708 and is correct as of June 2025. It explains how you may be eligible to pay a reduced rate of VAT in connection with goods, services and materials used in renovation. It is recommended that specialist VAT advice should be sought for any specific queries before starting any work or purchasing an empty property for renovating.

If you are renovating a home that has been empty for two years or more, then you may be eligible for a reduced rate of VAT on eligible renovation works.

Work on existing buildings is normally charged VAT at the standard rate of 20%. You may, however, be eligible to be charged VAT at the reduced rate of 5% if you are renovating or altering:

- an eligible dwelling that has **not** been lived in during the **2 years immediately before** your work starts
- **OR**
- premises **intended for use solely for a 'relevant residential purpose'** that have **not** been lived in during the **2 years immediately before** you start your work. This can include change of use of non-residential buildings

However, it is also important to note that there are restrictions on the types of property, the end use of the property and the services and goods that are eligible for reduced rate of VAT. Some properties may not be eligible and, in all cases, you must use a VAT-registered contractor and the contractor has to provide services for you. You can only receive reduced rate VAT if a VAT registered contractor is working on your property and not just providing the goods and materials for you to install.

Note: If you are buying building materials but installing them yourself, then you will have to pay the standard rate of VAT which is currently 20%.

Proof of two years empty

Your contractor will need to show HM Revenue & Customs evidence that the property has not been lived for two years. Your local Empty Homes Service can provide a letter confirming the last date of occupation of the property. Where this is supplied, you should not need any other evidence. Contact the Empty Homes service at Moray Council for this by emailing emptyhomes@moray.gov.uk

When it is not possible to provide this, HM Revenue & Customs may accept a best estimate and request other supporting evidence.

Conditions

Services are **only** eligible for reduced rates when **all** the following conditions are met:

1. You renovate or alter 'qualifying residential premises'.
2. The premises have not been lived in for at least 2 years.
3. The contractor holds a valid certificate.
4. The services are 'qualifying services'.

Properties which qualify

Section 8 of Notice 708 sets out four types of property where renovations or alterations are eligible for reduced rate VAT. These are:

- a single household dwelling
- a multiple occupancy dwelling such as bed-sits (house in multiple occupation)
- a building (or part of a building) which, when last lived in, was used for a relevant residential purpose and after the renovation or alteration will be used solely for such a purpose
- a building (or part of a building) which, when last lived in, was 1 of a number of buildings on the same site that were used together as a unit for a relevant residential purpose, and after the renovation or alteration will be used solely for such a purpose

Definitions:

'Single household dwelling'

- is designed for occupation by a single household either because of having been originally constructed for that purpose (and has not been subsequently adapted for occupation of any other kind), or as a result of adaptation
- consists of self-contained living accommodation
- has no provision for direct internal access to any other dwelling or part of a dwelling
- is not prohibited from separate use by the terms of any covenant, statutory planning consent or similar provision, and
- is not prohibited from separate disposal by the terms of any covenant, statutory planning consent or similar provision.

'**Relevant residential purpose**' relates to premises used as a home or other institution providing residential accommodation for client groups.

A '**house in multiple occupation**' is a dwelling that:

- is designed for occupation by persons not forming a single household, either as a result of having been originally constructed for that purpose (and has not been subsequently adapted for occupation of any other kind), or as a result of adaptation
- consists of self-contained living accommodation
- has no provision for direct internal access from the dwelling to any other dwelling or part of a dwelling
- is not prohibited from separate use by the terms of any covenant, statutory planning consent or similar provision

- is not prohibited from separate disposal by the terms of any covenant, statutory planning consent or similar provision

The two-year rule

The renovations or alterations can only be reduce-rated if in the two years immediately before works start, the qualifying residential premises has **not** been lived in.

Types of occupation which can be ignored are:

- illegal occupation by squatters
- occupation by “guardians,” and
- non-residential use, such as storage for a business.

A ‘guardian’ is a person who is installed in a property by the owner or on behalf of the owner to deter squatters and vandals. They may pay a low rent on terms that fall short of a formal tenancy. Alternatively, they may be paid to occupy the property.

A ‘guardian’ is to be distinguished from a caretaker or housekeeper who lives permanently on the property. Property occupied by a caretaker or housekeeper is likely to be furnished throughout.

If the dwelling has been lived in on an occasional basis (for example as a second or holiday home) in the 2 years immediately before work starts, then services cannot be charged at reduced rate.

Can a property be lived in before renovations start?

There are 2 empty house rules for situations when people are living in the premises while refurbishment work is being carried out. The first relates to all qualifying premises. The second only relates to ‘single household dwellings’.

First rule

If the ‘qualifying residential premises’ have not been lived in during the 2 years immediately before work starts, all of the work is reduced-rated. This is the case even if the premises start to be lived in again while works are being carried out. The occupier must move in on a day **after** the work is started.

But if, when the work starts, the premises are already being lived in or have been lived in during the previous 2 years, all of the work is standard-rated.

Second rule

Services can be reduce rated for the refurbishment or alterations to a ‘single household dwelling’ where all the following conditions are met:

- The 2 years immediately before the occupier acquired the dwelling it had not been lived in.
- No renovations or alterations had been carried out in the 2 years before the occupier acquired the dwelling (you can ignore minor works that were necessary to keep the dwelling dry and secure).
- The services are supplied to the occupier - so a subcontractor must standard rate their work.
- The services take place within 1 year of the occupier acquiring the dwelling.

This exception to occupation will not apply to the renovation or alteration of multiple occupancy dwellings or buildings intended for use for a relevant residential purpose.

Eligible works

As well as installing goods that are building materials, any works of repair, maintenance (such as redecoration), or improvement (such as the construction of an extension or the installation of double glazing) carried out to the fabric of the dwelling can be reduced rated.

In addition, works can be reduced rated if they are within the immediate site of the dwelling and are in connection with the:

- means of providing water, power, heat, or access
- means of providing drainage or security
- provision of means of waste disposal

Contractors can also reduce-rate the:

- renovation of a garage
- construction of a garage, or
- conversion of a building into a garage

Provided that the work is carried out **at the same time** as the renovation or alteration of the empty premises concerned, and the garage is intended to be occupied with the renovated or altered premises.

Ineligible work

All other services are standard-rated. These include:

- the installation of goods that are not building materials, such as carpets or fitted bedroom furniture.
- the erection and dismantling of scaffolding.
- the hire of goods
- Landscaping
- the provision of professional services, such as those provided by architects, surveyors, consultants and supervisors.

For a full list of articles that are classed as building materials for VAT purposes, please see Section 13 of HMRC Notice 708: buildings and construction

Additional information

For full details of the definitions, criteria, and guidance on the application of the VAT rules please see:

HMRC Notice 708: buildings and construction.

[Buildings and construction \(VAT Notice 708\) - GOV.UK](#)

You can obtain advice by phoning HMRC:

HMRC VAT General Enquiries Tel: 0300 200 3700

Contact emptyhomes@moray.gov.uk for further information and guidance relating to bringing empty homes back into use

Moray Empty Homes Service delivered in partnership with –

