



National Association
of Caravan Owners

Advice Leaflet: VAT Concession Changes

VAT Concession Changes for Caravan Owners!

In our member magazine we wrote an article on an announcement by HMRC that they are changing the way in which VAT is applied at holiday and residential parks from January 2012.

The notable changes affect concessions that are currently in place with regard to connections, water & sewerage and business rates. This last change will hit holiday caravan owners hard as the concession currently means that rates charges passed on to you by your park are 'zero rated'. Because the concession for this has been removed, the apportionment of business rates by your park operator will now attract the standard VAT rate, currently at 20%.

VAT concessions have been in place for many years in the UK, however following a recent court decision regarding a VAT concession (unrelated to holiday parks) HMRC have had to conduct a review of all current concessions as they may be unlawful.

The other notable change that will be seen by caravan owners will be in relation to the re-charging of water & sewerage. The current concessionary treatment allows all recharges of water and sewerage charges to be zero rated whether they are metered supplies or not. From 2012 the recharge of un-metered water & sewerage will be subject to the standard rate of VAT.

These subsidiary charges will be treated as an addition to the pitch fee and will therefore attract the standard rate of VAT.

These changes will impact on all caravan owners and NACO has objected to the removal of the concessions. We especially dislike the idea of charging VAT on top of the rates apportionment – in some ways a tax on a tax.

For more in-depth information google "caravan VAT concessions" or give our Advice Team a call!

Here are some questions that have been raised by other members:

1.) *Why are VAT concessions unlawful? In relation to what?*

Following a decision in the House of Lords regarding a VAT concession (unrelated to holiday parks) HMRC conducted a review of all current concessions, as they may have been unlawful. Unfortunately, they decided that two of the VAT concessions that were 'outside their scope' were related to holiday caravan parks.

2.) *Household utilities are VAT 5%, why are holiday homes on Sites 20%?*

Metered supply utilities such as electricity & water are still at 5%. The standard rate only applies where the park charges for the utility collectively. For example the park's water bill gets divided up across all caravan owners – this is a technically additional pitch fee that is subject to the standard rate of VAT. If your water supply is metered you will still only pay 5% VAT.

3.) *Does this rechargeable event apply only to holiday home parks?*

VAT concessions were withdrawn in eight areas; a full technical note from HMRC is enclosed.

4.) *If so why is not applied to bricks and mortar 2nd homes?*

As above, where the supply is metered and not 'resold' the domestic rate still applies.

5.) *Can the 20% VAT rate be justified legally?*

Yes. This is not a decision that park operators have a choice about. HMRC have made the changes due to a House of Lords decision.

6.) *Spiralling fees will hit the industry hard, the greed factor of the main operators means that caravan production has been hit.*

Agreed. The caravan industry, like many others, is struggling to keep its head above water. We were contacted by HMRC about the changes that would be affecting caravan owners and we objected on behalf of our members. However, HMRC did not consider that the concessions relating to – a) zero-rating of non-domestic rates & b) zero-rating of water & sewerage supply were able to continue given the House of Lords ruling.

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