



Buy your new holiday home tax efficiently and save stamp duty

Did you know that if you are purchasing a completed new holiday home from a developer, 1/6th of the price that you pay will go to the government as VAT, and Stamp Duty Land Tax (SDLT) is chargeable on the VAT inclusive price of the home.

Ordinary new houses have no VAT charge attached.

This makes new holiday homes seem very expensive when compared to normal non holiday properties – in fact nearly £60,000 more for a £250,000 home.

It is with this in mind that Pebble Ridge Land Ltd in conjunction with accountants Thomas Westcott are able to offer you a purchase scheme that offers the best of both worlds, a new holiday home at the price of a new normal residential property and with no stamp duty to pay.

How does the scheme work?

The scheme operates in two parts and you make separate purchases of land and the construction of your holiday home (two contract method).

Neither of these transactions carries any charge to VAT and minimal exposure to SDLT.

Having decided that you wish to purchase a holiday home, the scheme offers you the opportunity to purchase the land on which your home will be built from the land owning company, Pebble Ridge Land Ltd, and then contract separately for your holiday home to be built. The recommended contractor for the building is Chichester Homes Developments Ltd, though you are not obliged to use their services.

How much can I save?

If we assume that the price of your completed home were to be £260,000 before adding VAT, then you would face the following costs:	For a similar property using the two contract method, you could be looking at the following:
House Purchase £260,000	Land Purchase £120,000
VAT £ 52,000	House Construction £140,000
SDLT £ 9,360	VAT NIL
	SDLT NIL
Total Cost £321,360	Total Cost £260,000

A potential saving of £61,360

Does it really work?

The scheme has already been in use for a number of years, and a very similar scheme was found to be valid following a dispute with HMRC and a review by the High Court.

How do I Proceed?

If you have further questions on the operation of the scheme, then you or your accountants can contact Ian Huggett of Thomas Westcott on Tel. 01271 374138.

The developer's solicitors have all the details of the two separate contracts and they will work with your solicitors to make sure that you understand the legal implications of the contracts and to ensure that your purchase goes smoothly.

An alternative approach

Purchase using two contracts as suggested above is not the only way to save the VAT on the purchase, as there is a less attractive alternative.

You could register a business for VAT, use the business to purchase the property and reclaim the VAT you paid, however you would then need to operate your holiday home as a commercial business venture and charge 20% VAT on all lettings. In addition SDLT would still be payable on the full VAT inclusive price of the property. Again, further information on this scheme can be provided by Ian Huggett of Thomas Westcott on tel. 01271 374138.

If you would like any specific guidance or advice in relation to this article, please contact Ian Huggett on 01271 374138 or email ian.huggett@thomaswestcott.co.uk

www.thomaswestcott.co.uk

This guide has been prepared to illustrate options available to you. We strongly recommend you take professional advice before making decisions on matters discussed here. We can accept no responsibility for any loss to any person acting, or refraining from acting, as a result of this material.