



**Isle of Man**  
Government

*Reilhtys Ellan Vannin*

# **VAT Notice**

## **Reduced Rate**

### **Construction services in the Isle of Man**



**January 2023**

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## **1 Overview**

### **1.1 What is this notice about?**

This notice explains what goods and services are eligible for the reduced rate of VAT (5%) on certain construction services.

### **1.2 What's changed?**

This notice replaces the 2010 edition. It has been restructured and updated to reflect some changes regarding the supply of certain services and related goods.

This Notice has effect from **1 January 2023**.

### **1.3 Who should read this notice?**

You should read this notice if you —

- are a VAT registered business providing certain construction services on —
  - residential properties
  - certain properties used for charitable purposes and
  - places of worship, or
- receive any of these services.

### **1.4 The law**

The legislation is contained in Group 14 of Schedule 1 to the Value Added Tax Act 1996.

Group 14 is reproduced in Annex A.

The Value Added Tax Act 1996 can be accessed via [www.legislation.gov.im](http://www.legislation.gov.im)

Schedule 1 to the Value Added Tax Act 1996 covers the supply of any goods or services that may be made at the reduced rate of VAT. Group 14, Item 1 states:

“The supply by a taxable person of eligible services, including the supply of any necessary building materials at the same time, carried out on an eligible building in the Isle of Man”.

This means that the supply of certain construction services by VAT registered businesses, with or without building materials, on certain properties on the Island can be made at the reduced rate.

### **1.5 Other reference material**

[Construction Industry Domestic Reverse Charge – Information Leaflet](#)

[HMRC VAT Notice 708 – Buildings and construction](#)

## **2 Eligibility**

### **2.1 What goods and services are eligible?**

To qualify for this reduced rate —

- the supplier must be a taxable person (see 3.1)
- the building must be an “eligible building” located in the Isle of Man (see 3.2)
- the supply must be an “eligible service” (which may include materials) (see 3.3) and
- where any materials are supplied with the services, these must be “building materials” (see 3.4).

**The supply of goods only is not included in the scope of this Notice.** Any supply of goods only should be charged at the normal rate of VAT applicable to those goods.

### **3 Definitions**

In this section we will explain what we mean by —

- taxable person
- eligible building
- eligible service
- building materials.

#### **3.1 Taxable person**

The person providing the services must be VAT registered in either the Isle of Man or the United Kingdom and should be able to provide their VAT number to the customer if requested.

#### **3.2 Eligible building**

Services are only eligible for the reduced rate on certain properties on the Isle of Man. These properties are —

- a building designed as a “dwelling” (see 3.2.1)
- a building used for a “relevant residential purpose” (see 3.2.2)
- a building used for a “relevant charitable purpose” (see 3.2.3) and
- a place of worship.

##### **3.2.1 Building designed as a dwelling**

A building is ‘designed as a dwelling’ where it —

- consists of self-contained living accommodation, and
- is put to private use only.

Self-contained living accommodation means when the basic elements of living (sleeping, washing, preparation of food, and so on) are located together within a defined area and are not shared by more than one household or tenant.

This definition includes —

- houses, flats, bungalows etc.
- granny flat or annex.

This definition does not include —

- holiday accommodation (which is deemed to be a business use)
- separate garages
- separate leisure buildings (e.g. swimming pool, garden rooms)
- sheds/workshops/greenhouses etc.
- areas of a dwelling that are used for business purposes (e.g. treatment/beauty rooms, home office for the purpose of operating a business).

### **3.2.2 “Relevant residential purpose”**

This has the same meaning as contained in HMRC Notice 708 (section 14.6).

This generally includes —

- residential accommodation for children, students, the elderly, infirm, members of the armed forces; a monastery etc.

This does not include hospitals, prisons, hotels, inns or similar establishments.

### **3.2.3 “Relevant charitable purpose”**

This has the same meaning as contained in HMRC Notice 708 (section 14.7).

This generally includes —

- offices used by charities for administering non-business activity, such as the collection of donations
- school buildings where no fee is charged for the provision of education
- research buildings where the research is grant funded
- scout and guide huts that are used purely for scouting and guiding activities (if the huts are let out for local community activities they can be seen as similar to village halls)
- village hall or similar which provides social or recreational facilities for a local community. A building falls within this category when there is both a —
  - high degree of local community involvement in the building’s operation and activities, and
  - wide variety of activities carried on in the building, the majority of which are for social or recreational purposes (including sporting).

Charities are non-profit distributing bodies established to advance education, advance religion, relieve poverty sickness or infirmity or carry out certain other activities beneficial to the community.

## **3.3 Eligible services**

This means —

- alteration, extension or enlargement of an eligible building
- repairs to an eligible building or to the boundary of that building
- repairs or maintenance to the land within the boundary of an eligible building which is required for safety reasons to prevent damage (or further damage) to that building
- installation, repair or maintenance of building materials ordinarily incorporated into an eligible building.

### **3.3.1 Alteration, extension or enlargement of an eligible building**

This includes —

- extensions
- additions of conservatories, attached garage
- construction of self-contained living accommodation within the boundary of an existing dwelling, as long as this is for private use only (e.g. a separate self-contained flat within the grounds of the main dwelling).

This excludes —

- services relating to separate buildings or structures contained within the curtilage of a dwelling which are not considered to be self-contained living accommodation, e.g. separate garages, swimming pools, garden rooms, sheds, pizza ovens, brick barbecues etc.
- holiday accommodation.

### **3.3.2 Repairs to an eligible building or to the boundary of that building**

This includes —

- roof, wall, window, guttering repairs etc.
- boundary wall/fence repairs.

This excludes —

- repairs to buildings such as separate garages and those which are not considered to be self-contained living accommodation
- repairs to walls/fences etc. that are not part of the boundary of the building.

### **3.3.3 Repairs or maintenance to the land within the boundary of an eligible building which is required for safety reasons to prevent damage (or further damage) to that building**

This includes —

- tree felling
- flood prevention
- underpinning and retaining walls,

but it must be for the purpose of preventing damage (or further damage) to the eligible building.

Therefore, generally repairs or maintenance on the land will normally be subject to the standard rate of VAT.

### **3.3.4 Installation, repair or maintenance of building materials ordinarily incorporated into an eligible building.**

This includes, but is not limited to —

- installing new kitchen, bathroom
- servicing of boilers, chimney sweep, installing log burners etc.
- painting and decorating
- plumbing and electrical installation and repairs
- Installation of patios, paving, decking and driveways.

Not all building related services will qualify. Building reports, surveys, architects and interior designers' fees will all remain subject to VAT at the standard rate.

### **3.4 Building materials**

The building materials eligible for the reduced rate described in this notice are those that have the same meaning as HMRC Public Notice 708 (section 13), which meet the following conditions —

- the articles are 'incorporated' in the building (or its site)
- the articles are 'ordinarily' incorporated by builders in that type of building
- other than kitchen furniture, the articles are not finished or prefabricated furniture, or materials for the construction of fitted furniture
- with certain exceptions, the articles are not electrical or gas appliances
- the articles are not carpets or carpeting material.

The supply of most materials that are to be used in the renovation, repair, maintenance or improvement of an eligible building are covered by the reduced rate.

There are however specific exceptions to this which include —

- AGA and similar range cookers (unless they are solid fuel, oil-fired or designed to heat space or water)
- free-standing and integrated appliances such as cookers, fridges, freezers, dishwashers, microwaves, washing machines
- dryers, coffee machines
- audio equipment (including remote controls)
- built-in speakers
- satellite and Freeview boxes
- CCTV
- phones
- electrical components for garage doors and gates (including remote controls)
- bedroom furniture
- bathroom furniture (for example, vanity units, free-standing units)
- curtains, blinds, carpets
- garden furniture, ornaments and sheds.

The installation, repair or supply of these goods are subject to the standard rate of VAT.



## **4 Contractors and sub-contractors**

If you are the supplier of services, you may need to ask your customer about their intended use of a building, or part of a building so that you can accurately determine which VAT rate you should charge.

Supplies of eligible services (and goods where appropriate) by sub-contractors to other contractors, where both parties are VAT registered, will fall under the domestic reverse charge rules, as described in our Construction Industry Reverse Charge leaflet. This means that the provider of services does not charge VAT, but the receiver of the services must account for it on their VAT return.

If you are a VAT registered sub-contractor supplying services that are eligible for the reduced rate to a VAT registered contractor, the rate that should be quoted on your VAT invoice will be the reduced rate, rather than the standard rate.

If you are a VAT registered contractor receiving services from a VAT registered sub-contractor, and the VAT rate they have quoted in their VAT invoice is the reduced rate, you must account for VAT at that rate.

Where supplies are made by VAT registered sub-contractors to unregistered contractors, VAT is charged at the appropriate rate.

## **5 Supplies subject to different VAT rates (mixed supplies)**

Where you supply services which are subject to different rates of VAT, e.g. you may be building an extension to a house (reduced rate) and building a separate garage (standard rate) for the same customer, you will need to account for VAT at the different rates on a fair and reasonable basis. You should keep records which support your calculations.

## ANNEX A

### GROUP 14 – CONSTRUCTION SERVICES ON ELIGIBLE BUILDINGS

Item No.

1. The supply by a taxable person of eligible services, including the supply of any necessary building materials at the same time, carried out on an eligible building in the Isle of Man.

Notes:

#### *Definition of taxable person*

1. For the purposes of this Group, a taxable person is a person who is registered, or required to be registered, for VAT in the Isle of Man under this Act, or in the United Kingdom under the Value Added Tax Act 1994 (or any enactment that may replace such Act).

#### *Definition of eligible services*

2. For the purposes of this Group, "**eligible services**" means —
  - (a) alteration, extension or enlargement of an eligible building;
  - (b) repairs to an eligible building or to the boundary of that building;
  - (c) repairs or maintenance to the land within the boundary of an eligible building which is required for safety reasons to prevent damage (or further damage) to that building;
  - (d) installation, repair or maintenance of building materials ordinarily incorporated into an eligible building.

#### *Definition of eligible building*

3. For the purposes of this Group, an "**eligible building**" is a building that is located in the Isle of Man and —
  - (a) is designed as a dwelling or number of dwellings —
    - (i) consisting of self-contained living accommodation; and
    - (ii) put to private use only;
  - (b) is used for a relevant residential purpose;
  - (c) is used for a relevant charitable purpose; or
  - (d) is a place of worship.
4. In Note 3(a) —
  - (a) a building designed as a dwelling does not include —
    - (i) any separate building (or buildings) within the curtilage of the main dwelling that does not contain self-contained living accommodation;
    - (ii) a part (or parts) of a dwelling which are used for a business purpose;
  - (b) "relevant residential purpose" has the same meaning given in Note (4) of Group 5 to Schedule 9;
  - (c) "relevant charitable purpose" has the same meaning given in Note (6) of Group 5 to Schedule 9.

#### *Further definition*

5. In this Group —"building materials" has the meaning given by Notes (22) and (23) of Group 5 to Schedule 9 (zero-rating of construction and conversion of buildings).

## ANNEX B

**Table showing typical construction services and VAT rates**

<b>Description of work</b>	<b>VAT Rate</b>	<b>Comments</b>
Alteration or extension of a dwelling	5%	Includes foundations, construction of walls/roof, installation of plumbing, electrics, plastering, painting etc.
Work undertaken to residential home (including communal and staff areas)	5%	
Services from sub-contractor to main contractor on eligible building	5%	Where both parties are VAT registered the domestic reverse charge will apply
Installing new kitchen, bathroom	5%	
Installation, repair and service of open fire or log burner	5%	e.g. chimney sweep
Electric garage doors or gates - Electric components	5%	If supplied as a whole package with door or gate
Gutter cleaning/repair	5%	protects the property from water damage
Building or repair of boundary wall of an eligible building	5%	e.g. gate, fencing or wall repairs to a dwelling, residential home, place of worship
Installing patio, driveway, paving	5%	Only in relation to eligible buildings, e.g. a dwelling, residential home etc.
Astroturf and natural turfing/grass-seeding	5%	
Tree felling or lopping	5%	Where it protects the property from damage (or further damage)
River bank stabilisation to boundary	5%	
River bank stabilisation within curtilage of eligible property	5%	If it protects the property from flooding
Construction, alteration or extension of buildings which are not self-contained living accommodation	20%	e.g. separate garages, swimming pools, garden rooms, stables
Construction of garden shed/ greenhouse/pod/pizza oven/brick BBQ etc.	20%	
Repairs to domestic appliances (e.g. washing machines, freezers etc.)	20%	These are not considered to be "building materials"
Home office/business use	20%	where the occupant is running their own business from their home
Construction of a lake or pond or other engineering structure within in curtilage of the property	20%	
Repairs to garden fencing or walling within the curtilage of the property	20%	e.g. decorative fencing/gazebo/feature walls
Gardening services	20%	