

VAT and Property Investments

Take control of your pension



In some circumstances it may be advisable for a property held as an asset of the Open Pension to be registered for VAT purposes.

L&C Pensions does not itself advise on VAT or carry out the VAT administration associated with a VAT registered property. Open Pension scheme members should seek advice from experts of their own choosing or alternatively we have made arrangements for the services of our nominated accountants to be available for this purpose on their normal terms.

The following very general notes indicate some of the relevant issues. While these notes are offered in good faith they are very simplified and must not be relied upon as advice for any particular case – we strongly recommend that independent expert advice be obtained.

Does VAT apply to all commercial properties?

No. The general rule is that grants of interest in (e.g. leases) or disposals of property are exempt unless the exemption is waived.

Is VAT payable on the purchase price?

Yes – if the property in question has been “opted” for VAT (i.e. the owner has opted to waive the exemption) – but no if the sale can be treated as a “transfer of going concern” (TOGC) (e.g. where the business and rent payable is unaffected by the change in ownership) or if the exemption has not been waived.

For TOGC treatment to apply (and therefore to avoid having to pay VAT on the purchase price), among other considerations, the purchaser must apply for registration prior to completion for VAT purposes. It will therefore be important for the Open Pension member's VAT adviser to consider this matter well before completion of the purchase.

Is VAT chargeable on rent?

Yes – if the property is VAT registered.

Can any VAT element in expenses paid in connection with the property be reclaimed?

Yes – if the property is VAT registered.

Can VAT be reclaimed on the fees charged to the fund which are not related to the property?

It will depend on the circumstances. If the whole of the fund's income is derived from the property (i.e. there are no other investments) then probably the VAT on all fees charged can be reclaimed. If the property is only a part of the fund (i.e. there are other assets providing income) then the VAT on expenses which are of a general nature e.g. the annual Open Pension charges can be apportioned so that an appropriate part of the VAT on these expenses is reclaimed.

If the property has not been registered previously for VAT, can it be registered for the future?

Yes – but once an option to waive the exemption has been made then it cannot be revoked unless it is within three months of the election or after 20 years.

Should a property in an Open Pension always be registered for VAT?

It depends on the circumstances – independent advice should be obtained. In most cases experience shows that it would be unusual to waive the exemption following a purchase if the property had been acquired without previously being subject to VAT. However, it may be useful if there are expenditures upon which VAT could be reclaimed.

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