



**VALUE ADDED TAX ACT 1996**  
**EXTRA-STATUTORY CONCESSION**

The Treasury hereby authorises the following concession –

1. The Supplies specified in this Concession shall be charged at the rate of 5 per cent.
2. (1) The supplies to which this Concession applies shall be supplies of any labour and materials necessary for the repair, renovation, addition to or extension of buildings specified in sub-paragraph (2) and which satisfy the requirements of sub-paragraph (3).
  - (2) The buildings referred to in sub-paragraph (1) are –
    - (a) dwellings,
    - (b) buildings solely or primarily used for a relevant residential purpose,
    - (c) buildings belonging to a charity and which are not used for a business purpose, and
    - (d) ecclesiastical buildings

located in the Island.

(3) The supplies must be made by taxable persons whose registration for VAT is in a Trade Class identifying that their principal business activity falls within the following Groups in Section F of the Standard Industrial Classification of Economic Activities 1992<sup>(a)</sup> –

- 45.2 (Building of complete constructions or parts thereof; civil engineering),
- 45.3 (Building installation), and
- 45.4 (Building completion),

but excluding sub-class 45.21/3 (Construction of civil engineering constructions) of Group 45.2.

(4) In this Concession –

“the Act” means the Value Added Tax Act 1996<sup>(b)</sup>,

“buildings used for a relevant residential purpose” has the same meaning as in Note (4) of Group 5 of Schedule 9 to the Act,

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<sup>(a)</sup> Published by the Office of National Statistics, 1997 (ISBN 011620923.2).

<sup>(b)</sup> 1996 c.1.

"charity" has the same meaning as in Note (2) of Group 11 of Schedule 11 to the Act,

"dwellings" shall be construed in accordance with Notes (2) and (3) of Group 5 of Schedule 9 to the Act, and

"repair, renovation, addition to or extension" excludes the supply of household furnishings, furniture and domestic appliances (except where part of a heating or plumbing system).

3. This Concession shall have effect in respect of supplies made on or after 1<sup>st</sup> February 2006 and shall cease to have effect at midnight on 31<sup>st</sup> March 2006.

Made this 2nd day of February 2006.



Minister for the Treasury

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#### EXPLANATORY NOTE

*(This Note is not part of the Concession)*

This Extra-Statutory Concession provides that supplies which were eligible for the 5% rate of VAT from 1<sup>st</sup> April 2000 under the provisions of the Value Added Tax (Reduced Rate) Orders 2000<sup>(c)</sup> and 2004<sup>(d)</sup> shall continue to be so eligible until 31<sup>st</sup> March 2006. After this a new order is anticipated to replace this Concession and continue the regime.

Under the terms of the Concession, the relevant supplies will continue to be eligible for the 5% VAT rate from 1<sup>st</sup> February 2006 until midnight on 31<sup>st</sup> March 2006.

This further extension is provided to allow for an order to be made under section 98 of the Value Added Tax Act 1996 following the final decision in the European Union in January 2006 on the further continuation of the relevant derogation contained in Council Directive 1999/85/EC<sup>(e)</sup>

The Concession gives, and the Orders gave, effect in the Island to the amendments made to the Sixth VAT Directive<sup>(f)</sup> by Council Directive 1999/85/EC, which provide for a 5% rate of VAT on specified supplies, as a derogation from the usual rules contained in the former. The derogation was originally intended to expire on 31<sup>st</sup> December 2002 but was subsequently twice extended, and was scheduled to expire on 31<sup>st</sup> December 2005. However, a final decision having not then been reached on whether or not the derogation would continue, the arrangement was extended by means of concession with effect from 1<sup>st</sup> to 31<sup>st</sup> January 2006.

The buildings to which the Concession applies include private homes, residential accommodation for the elderly, children etc. and other similar places, hospices, church buildings, and buildings belonging to charities which are not used for a business purpose.

Only supplies made by taxable persons registered within certain Trade Classes, identified by reference to the UK Standard Industrial Classification of Economic Activities 1992 (as published in

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<sup>(c)</sup> S.D. No. 104/00.

<sup>(d)</sup> S.D. No. 127/04.

<sup>(e)</sup> O.J. L.277, 28.10.99.

<sup>(f)</sup> O.J. L.145, 13.6.77.

revised form in 1997) are covered by the Concession. Trade Classes involved with civil engineering are excluded.

Supplies of labour and goods are covered by the Concession, with the exception of supplies of household furnishings, furniture and domestic appliances (except where such appliances are part of a heating or plumbing system).