



**VALUE ADDED TAX ACT 1996**

**VALUE ADDED TAX (REDUCED RATE) ORDER 2004**

*Laid before Tynwald*

*16<sup>th</sup> March 2004*

*Coming into operation*

*1 April 2004*

In exercise of the powers conferred on the Treasury by section 98 of the Value Added Tax Act 1996<sup>(a)</sup>, and of all other powers enabling it in that behalf, the following Order is hereby made:-

**Citation and commencement**

1. This Order may be cited as the Value Added Tax (Reduced Rate) Order 2000 and shall come into operation on 1 April 2004.

**Reduced rate of VAT for the renovation and repair of specified buildings**

2. The rate specified in section 2(1) of the Value Added Tax Act 1996 is hereby varied in respect of supplies for the renovation and repair of specified buildings.

3. Subject to the following provisions of this Order, VAT on supplies for the renovation and repair of specified buildings shall be charged at the rate of 5 per cent.

**Interpretation**

4. In this Order –

“supplies for the renovation and repair of specified buildings” has the meaning specified in article 5, and

“the Act” means the Value Added Tax Act 1996.

5. (1) The supplies to which this Order applies shall be supplies of any labour and materials necessary for the repair, renovation, addition to or extension of buildings specified in paragraph (2) and which satisfy the requirements of paragraph (3).

(2) The buildings referred to in paragraph (1) are –

(a) dwellings,

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<sup>a)</sup> 1996 c.1.

(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>(b)</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 article –

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

“charity” has the same meaning as in Note (2) of Group 11 of Schedule 10 to the Act,

“dwellings” shall be construed in accordance with Notes (2) and (3) of Group 5 of Schedule 9 of 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).

6. This Order shall cease to have effect in respect of supplies made after 31 December 2005.

Made this 25<sup>th</sup> day of February 2004

  
Cherise Lyle  
Minister for the Treasury

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

## EXPLANATORY NOTE

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

Following on from the earlier Extra-Statutory Concession granted, this Order provides that supplies which were eligible for the 5% rate of VAT from 1 April 2000 under the provisions of the Value Added Tax (Reduced Rate) Order 2000<sup>(c)</sup> shall continue to be so eligible after the expiry of that Order and Concession.

Under the terms of the concession, the relevant supplies will continue to be eligible for the 5% rate from 1 January 2004 until 1 April 2004, this Order serves to extend the period of its operation to 31<sup>st</sup> December 2005.

The Concession and Orders together give effect in the Island to amendments made to the Sixth VAT Directive<sup>(d)</sup> by Council Directive 1999/85/EC<sup>(e)</sup> which provide for a 5% rate of VAT on specified supplies, as a derogation from the usual rules contained in the former. The derogation, originally intended to expire on 31 December 2002, has been twice extended, in the latest instance until 31 December 2005.

The buildings to which the Order 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 by taxable persons registered within certain Trade Classes, identified by reference to the UK Standard Industrial Classification of Economic Activities 1992 (as published in 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).

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

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

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

