



Top 10 VAT tips for housing associations

January 2022

As organisations move to the new normal, it is key that housing associations maintain their focus on changes in VAT. Below are the top 10 issues we think should be firmly on your radar.

1. VAT registration status

- Is the organisation part of a VAT group or a stand-alone entity for VAT purposes? What is the most efficient structure to adopt from a VAT perspective?
- If the organisation is not VAT registered, when was the last time the level of taxable supplies (including reverse charges and zero rated supplies of newly constructed dwellings) was considered to establish if the VAT threshold (£85,000) has been exceeded?
- Is there any advantage to voluntarily registering for VAT?

2. Partial Exemption

- Is there a Partial Exemption Special Method (PESM) in place? If so, has it been agreed with HMRC and has it been reviewed or updated to reflect any changes within the organisation?
- If a PESH is in place, has it been considered whether partial exemption calculations are performed as required per the PESH or if the

PESH could be made more efficient (e.g. by increasing recoverable input tax or reducing the time taken to perform the calculation)

- If a PESH is not in place, have the potential benefits of this been considered?

3. Domestic Reverse Charge (DRC)

- Post 1 March 2021, are systems and procedures in place to ensure the organisation is accounting for the DRC charge where appropriate?
- Is the organisation clear on whether it qualifies as an end user or intermediary? Has the organisation taken steps to review its DRC VAT accounting treatment post 1 March 2021?

4. Charitable reliefs

- Is the organisation aware and taking advantage of all available VAT reliefs it is entitled to, for example, VAT relief on advertising costs or certain disabled adaptations? By taking advantage of this and other similar reliefs, organisations can achieve significant VAT savings.

5. Trading activities

- We are seeing organisations generating lots of new income streams. Have the VAT consequences (both income and expenditure) been considered in respect of all trading activities?

6. Land and property

- This is very complex area from a VAT perspective and if a transaction is structured incorrectly, it could result in significant liabilities and missed opportunities.
- Has the setting up of a development company been considered to maximise VAT efficiencies?
- Is there scope to acquire land which has been opted to tax as a 'golden brick' transaction?
- Is there scope to disapply an option to tax to mitigate the VAT cost on a land transaction?
- Is the finance team aware of all potential transactions so these can be discussed with a VAT specialist, to ensure all risks and opportunities are explored?

7. HMRC activity

- Due to the cost to the Exchequer of the Covid-19 pandemic, it is expected that HMRC will materially increase VAT inspections in the coming years. Are you ready for a HMRC VAT visit?
- Is the organisation aware of the new penalty regime for late filings and payments of VAT which is due to come into force in January 2023?
- A significant number of businesses are now implementing VAT process and procedure notes to minimise risk and to document the checks and controls being undertaken in order to demonstrate compliance and ensure business continuity. Does the organisation wish to have these in place ahead of any HMRC enquiry?



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8. Energy saving materials

- Is the organisation taking steps to ensure that its housing stock is energy efficient? Does this involve the organisation purchasing energy saving materials?
- The VAT liability of energy saving materials is a complex area of VAT – in summary, VAT can be incurred at the 0%, 5% or 20% rate depending on the exact facts of the situation.
- Is the organisation taking appropriate steps to review the VAT liability of its purchases of energy saving materials to ensure that it is incurring VAT at the appropriate rate?

9. MTD

- The deadline for ensuring digital links are in place for most VAT registered taxpayers was 1 April 2021. Is the organisation fully compliant with the MTD regime currently in force?
- Has the organisation considered the benefit of tax automation to reduce the time cost of VAT compliance, reduce the risk of errors and streamline the VAT return preparation process?

10. Tax strategy

- There has been an increase over the last couple of years in the number of organisations that now publish a tax strategy, even if they are not required to by law. HMRC increasingly expects organisations to be able to confirm that tax risks are appropriately managed. Is this something that the organisation wishes to consider further?



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