



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

27 April 2012

Dear Colleague,

I am aware that many colleagues have written to me to raise concerns from constituents about the Budget proposal to extend VAT to alterations to listed buildings. I felt it would be helpful to write to all colleagues to set out the Government's approach. Please consider this as a response to any outstanding correspondence that you may have on this issue.

As you will already be aware, repairs and maintenance to all buildings, including listed buildings, have always been liable to VAT, and the Budget announcement has no impact on repairs to listed buildings. Alterations to listed buildings however, are mainly zero rated. The complication arises in determining the category of work. The borderline between alteration and repair or maintenance is a major source of confusion, resulting in a high volume of taxpayer query and frequent error. That is why the Budget proposed removing this anomaly.

The Government is committed to ensuring that listed places of worship are not adversely affected by the Budget proposal. We are currently involved in constructive discussions with the church authorities about how to achieve this. We have already committed to expanding the listed place of worship scheme by £5m per year, but it is clear we will need to go further in order to address the impact on churches and other places of worship.

We have also extended the consultation period on detailed implementation arrangements to 18th May. This will provide people with full opportunity to comment on the questions in the consultation, including on the question of transitional arrangements where I know there are a number of concerns, which we are keen to address if possible.

Yours sincerely

David Gauke
Exchequer Secretary to the Treasury