



Media information

News from HURST

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LIFELINE FOR DEVELOPERS FACING MASSIVE VAT BILLS ON SHORT TERM RENTALS

North West accountants HURST have thrown a VAT lifeline to the region's property developers who face huge VAT bills on unsold homes.

Increasingly, developers desperate for cashflow are renting out newly developed houses and apartments they have been unable to sell. But this means they are liable to repay VAT which they have claimed back on the developments and any demands can be enforced immediately.

Now HURST, in partnership with Stockport VAT specialists OMNIS, have launched an advisory service which helps struggling developers restructure their company arrangements to avoid the worst effects of so-called "VAT clawback".

HURST tax partner Rachel Murphy said: "In this current economic climate, developers are increasingly turning to short term lettings for apartments and houses they cannot sell. But because they have been reclaiming VAT on building work carried out during the building project, they are immediately liable to pay this back to HM Revenue & Customs. This is because VAT cannot be recovered on costs attributable to short term lettings which are exempt supplies.

"We have one client who developed three apartments and decided to rent them out when he couldn't find purchasers, and if he hadn't talked to us he would have received a VAT bill for £56,000.

"Even someone developing just one home who decides to rent out rather than sell faces huge VAT bills which must be paid immediately. The effects on this for developers, who are already suffering from cashflow problems, can be catastrophic."

HURST and OMNIS are advising clients who are renting out newly built homes that the solution to the problem involves restructuring the development using a procedure which would not be challenged by HMRC. To ensure the process meets VAT rules, they stress that expert professional advice needs to be taken.

For more information on the new service, contact Rachel Murphy on 0161 477 2474, or email rachel.murphy@hurst.co.uk.

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