



Do you want to save 1% on your build costs?

Or are you already giving the VAT man an early Christmas present?

The savings can be significant even for a modest development programme:

Most people know that the rate of VAT is increasing in the New Year and providers of residential rented accommodation will know that the letting of units on assured tenancies or assured shorthold tenancies is an exempt supply for VAT purposes. This means that any VAT incurred in relation to the acquisition or construction of those units (for example, architect's or other consultant's fees) cannot be recovered from HMRC and represents an additional development cost. If you would like to save the VAT on those consultants fees, potentially saving thousands of pounds on your development costs, a design and build company (Build Company) may be the answer.

Number of units	Build costs per unit	Consultant's fees	VAT rate	Saving
100	£100,000	3% of build costs	17.5%	£52,500
100	£100,000	5% of build costs	17.5%	£87,500
150	£100,000	3% of build costs	17.5%	£78,750
150	£125,000	5% of build costs	17.5%	£164,062

A Build Company is a wholly owned subsidiary through which the design and construction of rented units can be channelled. The landlord employs the Build Company to design and build the units. Ownership of the land stays with the landlord and the Build Company effectively is the landlord's contractor. The Build Company lets the build contract and appoints the consultants and delivers completed residential units to the landlord. For VAT purposes, this is a zero rated supply by the Build Company, which allows the Build Company to recover the VAT incurred by it, without having to charge VAT to the landlord.

Even a landlord with a relatively small development programme may find it worthwhile considering a Build Company, perhaps in a consortium with other providers. For example, one landlord could set up a Build Company (perhaps with help from others), which then services all of the landlords within the consortium.

Too good to be true?

The Build Company concept is sometimes thought to be complicated or expensive to set up or administer, but this does not have to be the case. Trowers & Hamlin can quickly and cost effectively do everything needed to set up a Build

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Company for you, including providing all the necessary documentation and even training for your staff, leaving you to sit back and count the savings.

With the rise in the rate of VAT from 1 January 2010, can you afford not to take a second look?

If you would like to discuss a Build Company in more detail and the potential savings for your organisation, then please do not hesitate to contact your regular contact or either Amy Shaw, Andrew Sneddon or Susannah Davis.

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