



Ministry of Housing,
Communities &
Local Government

Sir Peter Bottomley MP
House of Commons
London
SW1A 0AA

Mrs Heather Wheeler MP
Minister for Housing and Homelessness

*Ministry of Housing, Communities & Local
Government*
Fry Building
2 Marsham Street
London
SW1P 4DF

Tel: 0303 444 4794
Email: heather.wheeler@communities.gov.uk

www.gov.uk/mhclg

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Dear Peter,

During the Westminster Hall debate on ‘Protection for Homebuyers’ on 13 December, I committed to write to you on the issue you raised regarding the VAT treatment of property service charges.

As I said in the debate, this is an issue for HM Treasury and my officials have worked with their colleagues in both HM Treasury and HM Revenue & Customs to clarify the position. There has been no change to Government policy in this area. Property service charges payable by residents, such as the services of onsite staff provided directly to a landlord, are exempt from VAT and continue to be so.

In some instances, landlords employ a property management company to act on their behalf. A property management company will supply goods and services, including staff to landlords, all of which are normally subject to VAT. I understand that HMRC became aware that some property management companies were treating their services incorrectly and not charging VAT where legally required to do so. This has given them an unfair advantage over their competitors. HMRC has advised property management companies in this situation that they must correct this from 1 November 2018.

You asked whether we can change the VAT rules or provide an exemption for leaseholders, regardless of whether a management company is used by the landlord or not. There has been no change to VAT rules in this area, and any change in treatment would require a new VAT exemption. Under the current legal framework, there is no scope to apply an exemption from VAT to property service

charges and, until negotiations on our departure from the EU are complete, our rights and obligations remain unchanged. That includes the application of EU VAT rules.

Finally, you also touched on the eligibility of commonhold under the Government's Help to Buy scheme. The Government supports the increased use of commonhold and we welcome the work that the Law Commission is undertaking to help reinvigorate the tenure. We have been in discussions with Homes England about the treatment of commonhold under the Help to Buy scheme. These discussions are now concluding, and the position will be clarified very shortly.

Can I take this opportunity to thank you for your interest in these matters and wish you, your family and staff a very Happy New Year.

I will place a copy of this letter in the Library of the House.

A handwritten signature in black ink, appearing to read 'Heather Wheeler', with a long horizontal flourish extending to the right.

MRS HEATHER WHEELER MP