

**EXPLANATORY MEMORANDUM TO**  
**THE VALUE ADDED TAX (CARAVANS) ORDER 2015**  
**2015 No. 1949**

**1. Introduction**

- 1.1 This explanatory memorandum has been prepared by HM Revenue and Customs (“HMRC”) on behalf of the Treasury and is laid before the House of Commons by Command of Her Majesty.
- 1.2 This memorandum contains information for the Select Committee on Statutory Instruments.

**2. Purpose of the instrument**

- 2.1 This Instrument amends Group 9 (caravans and houseboats) of Schedule 8 (zero-rating) to the Value Added Tax Act 1994 (“the Act”) to include a reference to BS 3632:2015 which is the new British Standard for residential caravans that has been approved by the British Standards Institution. The effect is to maintain the scope of the existing zero rate.

**3. Matters of special interest to Parliament**

*Matters of special interest to the Select Committee on Statutory Instruments*

- 3.1 This Instrument breaches the 21 day rule. The reason for this is that the Order could not be made and laid until BS 3632:2015 was published but needs to take effect as soon as possible after its publication to ensure that sales of caravans that satisfy BS 3632:2015 fall within the zero rate.

*Other matters of interest to the House of Commons*

- 3.2 As this Instrument is subject to the negative procedure and has not been prayed against, consideration as to whether there are other matters of interest to the House of Commons does not arise at this stage.

**4. Legislative Context**

- 4.1 This Instrument is made under section 30(4) of the Act and is designed to ensure that the existing zero rate for sales of larger residential caravans continues to apply, given that a new British Standard now applies in relation to such caravans.

**5. Extent and Territorial Application**

- 5.1 This Instrument extends to all of the United Kingdom.
- 5.2 The territorial application of this instrument is the whole of the United Kingdom.

**6. European Convention on Human Rights**

- 6.1 The Financial Secretary to the Treasury, David Gauke, has made the following statement regarding Human Rights:

In my view, the provisions of the Value Added Tax (Caravans) Order 2015 are compatible with the Convention rights.

## **7. Policy background**

### *What is being done and why*

- 7.1 The sale of large static caravans has been zero rated since the inception of VAT in 1973. From 6 April 2013, the zero rate was restricted to caravans that exceed a specified size and were manufactured to BS 3632:2005 approved by the British Standards Institution which meant that they met with key health and safety requirements making them suitable for year round occupation. Large caravans suitable for seasonal (as opposed to residential) use that do not satisfy BS 3632:2005 were, with effect from the same date, made subject to 5% VAT.
- 7.2 BS 3632:2005 has been updated and the revised version (BS 3632:2015) has now been published. The amendment made by this Instrument ensures that caravans designed for residential use manufactured to the new British Standard will qualify for the zero rate.

### *Consolidation*

- 7.3 There are no plans to consolidate the legislation.

## **8. Consultation outcome**

- 8.1 No consultation is planned as the effect of this Instrument is to maintain the current VAT treatment for residential caravans. It is therefore routine and will be welcomed by the Industry.

## **9. Guidance**

- 9.1 A Revenue and Customs Brief will be issued in due course.

## **10. Impact**

- 10.1 There is no impact on business, charities or voluntary bodies.
- 10.2 There is no impact on the public sector.
- 10.3 A Tax Information and Impact Note covering this Instrument will be published on the HMRC website at [http://www.hmrc.gov.uk/the\\_library/tiins/htms](http://www.hmrc.gov.uk/the_library/tiins/htms).

## **11. Regulating small business**

- 11.1 In so far as the legislation applies to activities that are undertaken by small businesses, it does not necessitate any new requirements.

## **12. Monitoring & review**

- 12.1 This change will not be formally monitored as it merely adds a reference to BS 3632:2015, thus maintaining the existing zero rate for sales of larger residential caravans.

## **13. Contact**

- 13.1 Irene Frost at Her Majesty's Revenue and Customs Telephone: 03000 585848 or email: [Irene.frost@hmrc.gsi.gov.uk](mailto:Irene.frost@hmrc.gsi.gov.uk) can answer any queries regarding this Instrument.