

EXPLANATORY MEMORANDUM TO
THE VALUE ADDED TAX (REFUNDS TO “DO-IT-YOURSELF” BUILDERS)
(AMENDMENT OF METHOD AND TIME FOR MAKING CLAIMS)
REGULATIONS 2023

2023 No. 1201

1. Introduction

1.1 This explanatory memorandum has been prepared by His Majesty’s Revenue and Customs (HMRC) and is laid before the House of Commons by Command of His Majesty.

2. Purpose of the instrument

2.1 The purpose of this measure is to allow individuals building their own home or converting a non-residential building to their own home to submit their Do-it-yourself (DIY) housebuilders Value Added Tax (VAT) refund claims digitally. It extends the time limit for submitting DIY housebuilders claims from 3 months to 6 months after completion of the build. It also permits the Commissioners to ask for evidence about derelict buildings and to specify in a public notice the evidence that is required.

3. Matters of special interest to Parliament

3.1 None.

4. Extent and Territorial Application

4.1 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is the United Kingdom.

4.2 The territorial application of this instrument (that is, where the instrument produces a practical effect) is the United Kingdom.

5. European Convention on Human Rights

5.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

6. Legislative Context

6.1 Section 35 of the Value Added Tax Act 1994 (“VATA”) permits HMRC Commissioners to make refunds of VAT to persons constructing certain buildings. Section 35(2) provides that the Commissioners are not required to entertain a claim for such a refund unless the claim meets certain criteria specified in regulations or in accordance with regulations. Part 23 (regulations 200 to 201A) of the Value Added Tax Regulations 1995 (S.I. 1995/2518) (“the VAT Regulations”) sets out the method and time for making claims for such refunds.

6.2 Section 132 of the Finance Act 1999 permits regulations to be made to provide for the use of electronic communications. Regulation 4A of the VAT Regulations provides for specified communications to be made to the Commissioners using an electronic communications system and regulation 4B is a list of specified communications to which regulation 4B applies. Under regulation 4A where an electronic

communications system is used it must take a form approved by HMRC Commissioners in a specific or general direction and the relevant direction can be found here: [Commissioners' directions for electronic business - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/commissioners-directions-for-electronic-business).

- 6.3 This instrument is made exercising the powers in section 35(2) VATA and section 132 of the Finance Act 1999 to amend the method and time for making claims and to permit claimants to file claims electronically.
- 6.4 The instrument provides that a claimant is to make a claim on such relevant form as may from time to time be specified in a public notice published by the Commissioners. The public notice and forms for making claims will be available at [Building a new home and VAT: Overview - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/building-a-new-home-and-vat-overview). Free of charge hard copies of the notice and paper forms are available on request from the DIY and House Building VAT Enquiries Team, telephone: 0300 322 7073.
- 6.5 The instrument inserts into regulation 201(b) a new requirement for evidence where a building has been converted from a derelict building or shell. Where this applies a claimant must furnish such evidence of the non-residential status of a building prior to its conversion as may be specified in a public notice.

7. Policy background

What is being done and why?

- 7.1 The digitisation of the DIY housebuilders scheme will provide claimants with the option of submitting claims electronically, aiding the administration of the scheme for both HMRC and the claimant. This will be an alternative to the existing process of making paper-based claims.
- 7.2 Extending the time limit for making a claim from 3 months to 6 months after completion of a building will allow claimants more time to gather their documents and complete their claim, resulting in fewer omissions or errors.
- 7.3 Requiring evidence of conversion from a derelict building or shell will enable HMRC to substantiate claims for DIY conversions.
- 7.4 Setting out the evidence required into a public notice will enable HMRC to bring clarity and certainty that the correct information is provided on the claim forms.

8. European Union Withdrawal and Future Relationship

- 8.1 This instrument does not relate to withdrawal from the European Union or trigger the statement requirements under the European Union (Withdrawal) Act.

9. Consolidation

- 9.1 No consolidation is required for this instrument.

10. Consultation outcome

- 10.1 This measure has been discussed with stakeholder groups but not subject to full public consultation.

11. Guidance

- 11.1 Full guidance on submitting DIY housebuilders claims will be provided here [Building a new home and VAT: Overview - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/building-a-new-home-and-vat-overview).

12. Impact

- 12.1 There is no, or no significant, impact on business, charities or voluntary bodies.
- 12.2 There is no, or no significant, impact on the public sector.
- 12.3 A Tax Information and Impact Note covering this instrument will be published on the website at [Tax information and impact notes - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/tax-information-and-impact-notes).

13. Regulating small business

- 13.1 The legislation does not apply to activities that are undertaken by small businesses.

14. Monitoring & review

- 14.1 The approach to monitoring of this legislation will be kept under review through communication with stakeholders.
- 14.2 The instrument does not include a statutory review clause.

15. Contact

- 15.1 Lisa Allen at HMRC, email: lisa.allen1@hmrc.gov.uk can be contacted with any queries regarding the instrument.
- 15.2 Ian Broadhurst, Deputy Director for Indirect Tax at HMRC can confirm that this Explanatory Memorandum meets the required standard.
- 15.3 Victoria Atkins MP, Financial Secretary to the Treasury, can confirm that this Explanatory Memorandum meets the required standard.