Briefing for the Public Petitions Committee

**Petition Number:** PE1444

**Main Petitioner:** Florance Kennedy

**Subject:** Mutual repairs incentive scheme

Calls on the Parliament to urge the Scottish Government to provide incentives for mutual repairs on tenement properties and to make representations to the UK Government regarding the VAT in order to encourage tenement property owners to undertake repairs and preserve the traditional housing stock of Scotland's inner cities for generations to come.

**Background**

The petitioner raises concerns about the costs incurred by owners when attempting to maintain and preserve Scotland's traditional tenement properties. The petition is motivated by the fact that, while councils are trying to grapple with the scale of the problem, much of the responsibility for maintenance falls to the owners who are ineligible for VAT exemption.

The petitioner, who is involved in a mutual repair costing £200,000 plus VAT, feels that owners are hampered due to overly burdensome VAT costs. It is suggested that representations be made to the UK Government on a preferential VAT rate, or even VAT exemption for listed buildings. If these representations fail, incentives such as grant aid or subsidy should be introduced by the Scottish Government to ease the burden and encourage mutual repairs to preserve listed housing stock.

**Scottish Government Action**

In the recent consultation on the Sustainable Housing Strategy "Homes that don't cost the earth" the Scottish Government discussed improvement in housing conditions stating that it "will continue to call for a cut in VAT for repair and maintenance work to encourage owners to carry out work and use reputable tradespeople to try to address this issue." It also set out a draft Private Housing Condition Action Plan which recognised that 59% of owners aren’t spending on caring for their properties and proposed a campaign for reduction in VAT for repairs and maintenance liaising with the Office of the Chief Economic Adviser and Historic Scotland.

The Sustainable Housing Strategy consultation also recognised that there can be particular obstacles for owners who are motivated to carry out repairs and maintenance on common parts in tenements and put forward suggestions on how to improve the situation. The Sustainable Housing Strategy is due to be published in early 2013.
In terms of existing incentives, the Scottish Government introduced a scheme of assistance in 2006 for local authorities giving them the discretion to pay for any missing shares for owners who were unwilling or unable to contribute to the costs of maintenance. The Minister for Housing also made written representations to the Treasury in November 2011 on this issue.

**Scottish Parliament Action**

Motion S3M-07595 on cutting the VAT on building repairs was lodged by Sandra White, Scottish National Party in December 2010 as follows. It was supported by 17 other members.

“That the Parliament supports calls from the Federation of Master Builders Scotland for the UK Government to reduce the rate of value added tax (VAT) to 5% on construction repair and improvement work to existing buildings; believes that reducing VAT on repairs and maintenance would bring a number of benefits to hard-pressed Scottish homeowners; further believes that such a reduction would encourage people to make homes more energy efficient, helping Scotland meet its Energy Efficiency Action Plan targets and, in turn, its climate change targets, and considers that a reduction in VAT would boost the Scottish construction industry and create up to 2,235 new Scottish building jobs during the first 12 months of the reduction."

Heather Lyall
Senior Research Specialist
20 November 2011

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1 Implementing the Housing (Scotland) Act 2006: Statutory Guidance for Local Authorities: Volume 5 Scheme of Assistance