

RESPONSE FROM
THE HERITAGE ALLIANCE
3 JANUARY 2013

About The Heritage Alliance

The Heritage Alliance is a non government organisation based in the UK.

The Heritage Alliance is the largest coalition of heritage interests in England. Together its members own, manage and care for the vast majority of England's historic environment.

The Heritage Alliance represents over 90 Members - major national and regional non-Government organisations, which are in turn supported by over five million members and thousands of local volunteer groups.

Heritage Alliance Members range from specialist advisory bodies to national funding bodies and organisations leading regeneration and access projects. They represent academics, practitioners and managers, volunteers and owners. Their specialist knowledge and expertise across a huge range of issues - planning, funding and access - is a highly valuable national resource, much of which is contributed on a voluntary basis for public benefit

The Heritage Alliance is happy for its consultation response to be published along with the data provided.

Q1 Are there any concrete situations that you are aware of whereby the application of a reduced rate on certain goods and services by one or more Member States is effectively resulting in material distortion of competition within the Single Market? Please explain and, if possible, give an indication of the economic impact of the distortive effects.

No comment.

Q2 Which arguments (social, economic, legal, etc) do you wish to put forward in the context of the assessment of the reduced VAT rate for water?

No comment on the issue relating to the reduced rate of VAT on water.

This section raises the issue of reduced rates for certain good and services in relation to climate change mitigation and environmental policies.

We appreciate that limiting the use of reduced rates is a way of broadening the tax base and is a major source of revenue for national budgets in times of austerity. However we regret the decision to remove the zero rate of VAT on approved alterations to listed buildings by the UK government, which far from being an unjustified exemption, had valuable long-term benefits. We particularly highlight the

contribution VAT legislation can make to the environmental strand of sustainable development and which we refer to in Q5.

Q3 Which arguments (social, economic, legal, etc) do you wish to put forward in the context of the assessment of the reduced VAT rate for certain energy products?

We refer you to the submission of the Federation of Master Builders that details the contradiction between applying reduced rates of VAT to energy consumption but allowing no such reduction for energy efficiency measures. We agree that this produces an inconsistency which should be resolved to achieve lower energy consumption objectives in the longer term.

Q4 Which arguments (social, economic, legal, etc) do you wish to put forward in the context of the assessment of the reduced VAT rate for street cleaning, refuse collection and waste treatment? In your view, how can the hierarchy set out by the Waste Framework Directive be reflected in the VAT rates structure?

The Heritage Alliance supports The Waste Framework Directive¹⁴ which introduces a five-step waste hierarchy where prevention is the best option, followed by re-use, recycling and other forms of recovery, with disposal such as landfill as the very last resort.

Demolishing existing buildings adds to landfill and encourages significant additional energy costs associated with the production of new materials, construction and transport to replace them. Refurbishment of older properties consumes less non-renewable resources (countryside, buildings materials etc). As housing is one of the sectors with a substantial environment impact, we consider that the option in Annex III* which allows a reduced rate of 5% relating to housing (provision, construction, renovation and alteration) would encourage the better use of existing housing stock.

- By reducing the perverse incentive to demolish existing buildings to avoid the excessive VAT liabilities concomitant with refurbishing them.
- By helping bring empty homes back into use by making the refurbishment of derelict dwellings more affordable.

The global environmental benefits of maintaining older housing stock in good condition are significant. The reduced rate of VAT here supports EU energy and climate change objectives and we will encourage the UK government to take up this option.

**Annexe III (10) provision, construction, renovation and alteration of housing, as part of a social policy; (10a) renovation and repairing of private dwellings, excluding materials which account for a significant part of the value of the service supplied.*

Q5 In your view, how can the reduced VAT rate for housing be best applied in order to take the resource efficiency element into account, and how should/can this be achieved with a minimum of increase in the administrative burden for businesses, in particular SME's, providing supplies of goods and services in the housing sector?

England has nearly 5million pre-1919 dwellings which account for approximately £6.3bn of residential repair and maintenance output*. The recent report *Responsible Retrofitting*** (Sustainable Traditional Buildings Alliance 2012) includes plenty of evidence to demonstrate that:

- Traditional buildings can contribute to significantly reducing energy demand without placing these buildings or their occupants at undue risk.
- Traditional buildings often perform better in terms of heat loss through fabric than as stated in standard models and assessment methods.

We therefore recommend that the option to apply a lower rate of VAT on work to residential buildings in private ownership *** be retained in Annexe III. If this option were to be removed, it would conflict with the five EU priorities for 2020, the third of which relates to climate change / energy, where the target is to reduce greenhouse gas emissions by 20% (or even 30%, if the conditions are right) lower than 1990 and a 20% increase in energy efficiency

We consider that priority should be given to research to understand the energy behaviour and performance of traditional buildings, including addressing the lack of baseline data on which to make judgments relating to energy improvements. This would also support the first of the 2020 priorities, which is that 3% of the EU's GDP should be invested in R&D.

** Ecorys report for HLF/English Heritage: The Economic Impact of Maintaining and Repairing Historic Buildings in England, March 2012*

***http://www.sdfoundation.org.uk/downloads/RESPONSIBLE-RETROFIT_FINAL_20_SEPT_2012.pdf*

****Annexe III (10) provision, construction, renovation and alteration of housing, as part of a social policy; (10a) renovation and repairing of private dwellings, excluding materials which account for a significant part of the value of the service supplied.*

Q6 Do you agree that those electronic services that would qualify for the reduced rate will have to be precisely defined in a uniform way at an EU level or do you consider that a broad definition in the VAT Directive would be sufficient?

Qs 6-9 no comment

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