VAT & Exercise Team

HM Treasury

1 Horse Guards Road,

London,

SW1A 2HQ

18 August 2026

Response submitted by email only to: vatlandforsocialhousingconsultation@hmrc.gov.uk

Dear Sir / Madam,

Re: VAT Treatment of Land Intended for the Construction of New Social Housing

The Land, Planning and Development Federation (LPDF) welcomes the opportunity to respond to the consultation on the 'VAT Treatment of Land Intended for the Construction of Social Housing Consultation'.

We fully support the Government's ambition to simplify the delivery of social housing and the taxation system, which currently causes issues for both Registered Providers (RPs) and developers.

<u>About the LPDF</u>

The LPDF seeks to represent the UK's leading land promoters, home builders and commercial developers. LPDF members support the housebuilding and commercial development sectors by promoting sites through the planning system, providing "shovel ready" land with a planning permission which can facilitate the delivery of infrastructure and serviced land parcels.

The LPDF seeks to actively engage with government on planning, housing and commercial development policy and to educate the wider public on the social, environmental and economic benefits of development through an evidenced based approach.

The LPDF encourages its members to deliver well designed, high quality, sustainable places which deliver a mix of housing types and tenures, commercial spaces and community uses that have a positive social, environmental, and economic impact.

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Our key values include:

- Working in a positive and cooperative way with central and local government and key stakeholders, to deliver a planning system capable of supplying the homes and employment space we need.
- Promoting research and an evidence-led approach to policy development.
- Increasing the supply of new homes to meet demand and make home ownership a realistic possibility for all those who aspire to it.
- Ensuring that we build the affordable homes of all types and tenures that this country so desperately needs.
- Delivering new employment space to meet demand from businesses and support economic growth.
- Championing the impact of increased housing delivery on reducing intergenerational unfairness.
- Creating well designed, high quality and sustainable places to live and work.
- Educating and informing about the social, environmental and economic benefits of development.
- Supporting diversity of delivery in the market and championing SME developers.
- Promoting diversity and inclusivity within the sector.

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Questions

Q1: Who are you responding on behalf of?

The Land, Planning and Development Federation (LPDF), a trade body representing the UK's leading land promoters, home builders and commercial developers.

Q2: Please provide details of your organisation.

The LPDF is a trade body with 71 full members and 127 affiliates. We operate across England and we reflect our members views on a whole spectrum of issues including taxation, when interacting with Government and other relevant stakeholders.

Q3: Social Housing Provider.

N/A

Q4: Does HMRC/the governments understanding accurately reflect your knowledge of what happens in practice?

The LPDF have no comments to make on this question.

Q5: What is your assessment of how the current 'golden brick' rules create barriers of the construction of social housing?

The LPDF considers that the current 'golden brick' arrangements can create practical, financial and administrative barriers to the delivery of social housing. The principal issue is not that the rules necessarily prevent zero-rated VAT treatment from applying, but that the point at which that treatment becomes available can be poorly aligned with the funding, cashflow and delivery requirements of a development.

The 'golden brick' concept can also introduce uncertainty and complexity into transactions. There is no statutory definition of the term 'golden brick', with HMRC guidance generally requiring construction to have progressed beyond foundation level before the relevant zero-rating treatment can apply. Establishing and evidencing that the necessary construction threshold has been reached can therefore require careful consideration, particularly where construction methods or sequencing differ from a conventional build programme.

These issues can become more pronounced on larger developments containing significant proportions of affordable or social housing. Where individual dwellings or phases need to reach the relevant construction stage before land can be transferred on a zero-rated basis, transactions may need to be structured around multiple points of transfer. This can increase legal, professional and administrative costs and can delay the point at which a RP obtains legal title, and the developer receives the associated land consideration.

Apartment developments can present a different set of issues. Where the relevant construction threshold is reached at building level, rather than for each individual apartment, the VAT position may be capable of being established earlier. However, this can create difficulties where a building is mixed-use or contains units which are not intended to be acquired by the RP. The appropriate VAT treatment can therefore become an important factor in determining how transactions and contractual arrangements are structured.

More generally, the Federation is concerned that the current rules can cause parties to structure transactions primarily around VAT considerations, rather than the underlying commercial and delivery requirements of the scheme. This can necessitate specialist VAT and legal advice, detailed contractual provisions and additional evidence and record-keeping. These requirements add cost and complexity at precisely the stage of a development when parties are seeking to mobilise construction and secure funding efficiently.

There is also a significant funding consideration for RPs. Access to certain public funding mechanisms is linked to the RP having acquired an interest in the relevant land. Where transferring the land before the ‘golden brick’ stage would give rise to an irrecoverable VAT cost, the parties may instead need to defer the transfer. This can delay the RP's ability to access funding, reduce the security provided by ownership of the site and limit its ability to exercise control over the delivery of the scheme.

The current arrangements can also have implications for development viability and cashflow. Developers are required to commit capital to land, enabling works and early construction before reaching the point at which a ‘golden brick’ transfer can take place. The cost of this capital, and the period for which it remains committed, can affect the overall attractiveness and viability of a scheme. This is particularly relevant for schemes where substantial expenditure is required before the construction milestone is reached, including brownfield sites involving remediation, abnormal ground conditions or significant enabling infrastructure.

The absence of an early land transfer may also result in RPs seeking additional protections, such as guarantees or bonds, to manage the risks associated with the developer retaining ownership during the early stages of construction. Such arrangements can themselves create additional costs and, depending on the circumstances, may have implications for developers’ financing arrangements and available banking facilities.

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The impact will not be uniform across all developments. Certain schemes, particularly larger apartment developments, may reach the relevant construction stage relatively quickly. However, developments comprising individual houses or being delivered through multiple plots and phases, may face greater complexity where transfers need to be considered repeatedly. The effect can therefore vary according to the nature, location and construction methodology of the scheme.

The Federation recognises that alternative structures, including the sale of bare land followed by the provision of construction services, may be available in some circumstances. However, such arrangements are not universally suitable and need to be structured carefully to avoid creating an irrecoverable VAT cost elsewhere in the supply chain.

Overall, the LPDF considers that the current 'golden brick' arrangements introduce unnecessary friction into the delivery of social housing. They can affect the timing of land transfers, access to funding, development cashflow and scheme viability, while adding administrative and professional costs. These effects are particularly concerning where development economics are already challenging.

The Federation therefore supports reform which would allow qualifying land intended for the construction of social housing to benefit from zero-rating at an earlier stage, subject to appropriate safeguards. Such an approach would give RPs and developers greater flexibility to structure transactions according to the commercial and funding requirements of the development, rather than requiring the transaction to be driven by the point at which a particular stage of construction has been reached.

In the Federation's view, reducing these VAT-related constraints would simplify transactions, improve cashflow and funding flexibility, reduce unnecessary transaction costs and support the more efficient delivery of social housing.

Q6: Are there specific areas where VAT rules on land have a greater impact on your activities?

The Federation's members' experience is that the current VAT rules on land can have a greater practical impact where residential developments involve more complex delivery arrangements. This is particularly relevant to mixed-use schemes, larger multi-unit developments and projects delivered through multiple phases or plots. The issue can also arise where modern methods of construction are used, or where the sequencing of works differs from a conventional construction programme.

In these circumstances, determining whether the relevant 'golden brick' threshold has been reached can require detailed consideration of the nature and progress of the works. This may

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involve ongoing monitoring throughout the development and, in some cases, specialist VAT advice to establish and evidence the appropriate treatment.

Additional complexity can arise where ownership of the land and responsibility for undertaking the construction works rest with different entities. In such arrangements, there can be greater uncertainty around the application of the VAT rules, including identifying the relevant party for the purposes of the construction conditions and ensuring that the necessary evidence is available to support the treatment adopted.

These issues do not necessarily prevent developments from proceeding. However, they can introduce additional complexity, professional costs and potential delays into transactions involving developers and RPs. Parties may need specialist advice, not only to structure the initial transaction, but also to confirm the VAT position, prepare and retain supporting evidence, and manage the position as construction progresses.

The LPDF considers that this additional complexity is particularly unhelpful where the underlying purpose of the transaction is straightforward: to facilitate the delivery of qualifying residential accommodation. The VAT treatment should, wherever possible, provide sufficient certainty and flexibility to accommodate different development structures and construction methodologies without requiring disproportionate professional and administrative input.

The Federation therefore considers that reform of the current land VAT rules should take account of the increasingly varied ways in which housing is delivered. A simpler and more flexible approach would reduce the scope for VAT considerations to influence the structure and sequencing of development and would help reduce unnecessary costs and delays for both developers and RPs.

Q7: What is your definition or understanding of the term ‘social housing’?

There is no specific definition of ‘social housing’ in the VAT legislation.

Planning legislation and policy generally use the term ‘affordable housing’ rather than ‘social housing’. The National Planning Policy Framework (NPPF) defines affordable housing broadly as housing for sale or rent for those whose needs are not adequately met by the market. It encompasses a range of tenures, including Social Rent, other affordable housing for rent, discounted market sale housing and other routes to affordable home ownership.

The Federation considers that restricting the proposed VAT relief by reference to a narrow definition of ‘social housing’ could create practical difficulties. Large residential developments commonly include a mixture of affordable housing tenures and delivery arrangements, and the precise tenure mix may not be fully established when land is initially

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acquired by a RP. As schemes progress, changes to planning requirements, density, layout, phasing and tenure can also occur.

A narrow definition could therefore introduce unnecessary uncertainty as to whether particular parts of a development qualify for relief. It could also require the VAT position to be reconsidered as the development evolves, adding complexity to transactions that may otherwise be straightforward.

In the Federation's view, the most practical approach would be for eligibility to be determined primarily by reference to the status of the purchaser, using the existing VAT concept of a 'relevant housing association', rather than creating a new definition based on particular social housing tenures or individual uses. This would build on an established VAT concept and provide greater certainty for both purchasers and sellers.

If HMRC considers that the relief should also contain a use-based condition, the Federation considers that this should, where possible, align with the established planning concept of 'affordable housing' in the NPPF rather than creating a separate definition specifically for VAT purposes.

Such an approach would better reflect the way affordable housing is planned and delivered in practice. It would also accommodate developments where the precise tenure mix may change during the planning and construction process, while reducing the risk that the VAT treatment becomes dependent on the precise designation of individual units at an early stage.

The LPDF considers that the relief should therefore be sufficiently broad and flexible to reflect established VAT and planning concepts and the range of ways in which affordable housing is delivered. This would help provide certainty for developers and RPs and avoid introducing additional complexity into the development process.

Q8: How would a new relief reduce the complexities in the current system and incentivise your business's ability to develop social housing quicker?

The Federation considers that a properly designed relief would simplify the current VAT arrangements by removing the need for land transfers to be structured around particular stages of construction. This would reduce the reliance on 'golden brick' arrangements, simplify the contractual structures required between developers and RPs, and reduce the time and resources currently required to agree bespoke arrangements, monitor construction progress and demonstrate that the relevant construction stage has been reached.

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The introduction of a new relief would also provide greater certainty for developers and RPs. Removing the need to establish precisely when construction has commenced, or when the 'golden brick' threshold has been achieved, would reduce the potential for uncertainty or disagreement over the technical application of the existing rules. This would be particularly beneficial for larger, phased and more complex developments, where the current requirements can involve detailed technical assessment and close coordination between the parties.

Earlier qualifying land transfers could also provide practical financial benefits. RPs would be able to access funding associated with the land at an earlier stage, while developers could receive land payments sooner in the development cycle. This would improve development cashflow and reduce the period for which developers are required to commit capital before reaching the relevant construction milestone.

For developments containing significant affordable housing commitments, reducing the amount of capital tied up in the scheme could improve the return on capital employed. This may be particularly important for schemes where margins are limited. In such circumstances, bringing forward the release of capital could assist a development in meeting internal investment criteria and reduce the risk of schemes being delayed, restructured or not proceeding.

There would also be a wider benefit for developers undertaking substantial affordable housing programmes. Earlier release of working capital would allow funds to be redeployed more quickly into other sites and developments, potentially increasing the number of projects that can be progressed and supporting wider housing delivery.

The LPDF therefore considers that the proposed relief could contribute to the faster delivery of social and affordable housing by removing practical barriers created by the existing VAT rules. The purpose of the relief should not be to create an additional commercial benefit for developers, but to allow the intended VAT treatment to be achieved earlier in the development process and with greater certainty for all parties.

A simple and clearly targeted relief would therefore help reduce transaction complexity, improve cashflow and provide greater flexibility in the timing of land transfers. In turn, this should support the more efficient progression of viable social and affordable housing schemes and contribute to the Government's wider housing delivery objectives, including its ambition to build 1.5 million new homes.

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Q9: How would a new relief reduce administrative burdens for your business?

The LPDF considers that a new relief would reduce administrative burdens by giving developers and landowners greater flexibility in structuring land transactions, without the need to use complex 'golden brick' arrangements to secure the intended VAT treatment.

Under the existing rules, parties may need to establish and demonstrate when the relevant 'golden brick' stage has been reached and continue to monitor this as construction progresses. On developments delivered across multiple plots or phases, this can require detailed technical assessment, supporting evidence and repeated reviews of the construction position.

A new relief would reduce the need for contractual provisions specifically linked to the achievement of 'golden brick' milestones. It should also reduce the associated administrative processes, including site inspections, verification of construction progress, monitoring the VAT treatment of stage payments and obtaining evidence or certification relating to construction status or practical completion.

The Federation also considers that there would be less reliance on specialist VAT and legal advice to develop appropriate transaction structures, confirm the correct VAT treatment and manage the risks arising from the current arrangements. This should reduce costs and allow developers, landowners and RPs to devote greater resources to progressing housing delivery.

It is important, however, that the new relief is designed to deliver a genuine reduction in administrative burden. If eligibility were instead subject to extensive certification, continuing monitoring of use, complex apportionment requirements or retrospective VAT adjustments, there would be a risk that the new regime simply replaced the existing 'golden brick' complexity with a different set of compliance requirements.

The LPDF would therefore encourage HMRC to make the new relief as straightforward as possible and to use established concepts and processes within the existing VAT legislation where appropriate. In particular, alignment with existing concepts such as 'relevant housing association' and established certification requirements should help provide familiarity and certainty for businesses.

Overall, the Federation considers that a well-designed relief should reduce the need for bespoke tax structuring, minimise the scope for errors and disputes and provide greater certainty for all parties. Allowing land to be transferred at an earlier stage would enable transactions involving affordable and social housing to be structured according to the commercial and delivery requirements of the development, rather than primarily around the need to achieve zero-rating through the 'golden brick' mechanism.

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Q10: What types of organisations do you consider provide social housing?

The LPDF have no comments to make in response to this question.

Q11: Are there any issues associated with limiting relief to registered providers?

The Federation agrees, in principle, with HMRC's proposal that the relief should apply to land sold to providers registered with the relevant social housing regulator in the respective UK administration. The Federation considers that this would provide a relatively simple and objective basis for determining eligibility and would broadly align with the existing VAT concept of a 'relevant housing association'.

Using an established concept would also provide greater certainty for sellers, who would have a clear basis for determining whether a purchaser is eligible for the relief. The status of a RP should generally be capable of being verified through publicly available information, reducing the need for sellers to undertake detailed enquiries into the purchaser or the ultimate use of the land.

There is, however, a potential issue with restricting the relief exclusively to RPs. In practice, social and affordable housing can be delivered through a range of structures, including local authorities, group companies of RPs, development subsidiaries, and other entities or delivery vehicles used as part of affordable housing arrangements.

The Federation therefore considers that HMRC should consider whether the relief should also be capable of applying where land is acquired by, or transferred within, an RP group, provided that the underlying purpose remains the delivery of qualifying social or affordable housing.

The rules should also avoid placing an unreasonable obligation on sellers to investigate the wider corporate structure of the purchaser or to establish the ultimate arrangements for delivery. Where an eligible purchaser has provided appropriate certification confirming that the relevant conditions are met, the seller should generally be able to rely on that certification.

Subject to these considerations, the LPDF considers that using the existing concept of a 'relevant housing association', or an appropriately aligned definition of a RP, is likely to provide the most practical basis for the relief. This would maintain a clear and objective eligibility test while allowing sufficient flexibility to reflect the structures through which social and affordable housing is delivered in practice.

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Q12: Are there any unintended consequences or risks you foresee with the introduction of this new relief?

The Federation does not consider that the introduction of a new relief should give rise to significant unintended consequences, provided that the conditions for relief are clearly defined, appropriately targeted and supported by clear and practical HMRC guidance.

The principal risk is that the relief could be framed too narrowly or in a way that does not reflect how social and affordable housing is delivered in practice. The LPDF would therefore encourage HMRC to base eligibility primarily on the status of the purchaser, such as an appropriately registered housing provider, rather than restricting the relief by reference to particular tenure types or the precise nature of the development being constructed.

It will also be important that the new rules are sufficiently flexible to accommodate genuine changes during the development process. Changes to layout, phasing, tenure or land arrangements can occur as schemes progress and should not inadvertently result in the loss of relief or unexpected VAT liabilities where the underlying purpose remains the delivery of qualifying housing. Appropriate change-of-use and clawback provisions will therefore be important in distinguishing genuine changes in development circumstances from arrangements intended to circumvent the conditions of the relief.

Particular consideration should also be given to boundary adjustments between developers and RPs and to transfers within RP groups. Such transfers may arise for genuine commercial or development reasons and should not automatically result in a VAT clawback where the underlying purpose of the arrangements remains the delivery of qualifying affordable housing. The rules should also recognise that RPs may use group companies, development subsidiaries or other delivery structures as part of their normal development activities.

The Federation also considers that care will be needed where housing developments include associated non-residential elements. Major developments may incorporate facilities such as commercial space, community facilities, schools, medical facilities, play areas or shared infrastructure, whether as a result of planning requirements, or because they are necessary to support the wider development. The VAT treatment should avoid creating unnecessary uncertainty where such elements form part of an integrated housing scheme.

A further risk is that the new relief could prove too complex to operate in practice. If the conditions require extensive certification, monitoring or other compliance procedures, then developers, landowners and RPs, may continue to rely on existing 'golden brick' arrangements rather than adopting the new relief. The purpose of the reform should therefore be to simplify the existing position and not replace one set of complex arrangements with another.

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The LPDF would support appropriate stakeholder engagement on draft legislation, certification requirements and HMRC guidance before implementation. This would provide an opportunity to identify practical issues in advance and help ensure that the relief can be applied consistently and that any risks are managed in a proportionate manner.

Q13: How frequently do plans for the development of social housing change? When plans do change, in what way do they change?

The Federation's experience is that changes to social and affordable housing proposals are not uncommon during the development of a site. Residential developments can take a number of years to progress, and the final form of a scheme may evolve between outline planning permission, detailed planning approval and the construction and implementation of the development on site.

There are a number of reasons why changes may occur, including planning requirements, boundary adjustments, changes in density, market conditions, funding availability, RP requirements, design or specification changes, changes in legislation or regulation, and changes to the proposed delivery strategy or construction method.

The tenure mix can also change during the course of a development, and, in some circumstances, this may occur relatively late in the process. This can reflect changes in the RP's funding position, internal affordability requirements or the overall commercial viability of the scheme.

In practice, changes may include amendments to the number, size, specification or location of affordable housing units; changes between different affordable housing tenures; the reallocation of units between market and affordable housing; changes to the phasing of the development; or adjustments to site boundaries, access arrangements, shared infrastructure and amenity space.

These changes will generally arise from legitimate planning, funding, commercial or delivery considerations, rather than from any intention to obtain a particular VAT outcome. It is therefore important that the VAT rules recognise the evolving nature of residential development and do not create disproportionate consequences when genuine changes occur.

For this reason, the Federation considers that the proposed relief should be based primarily on the status of the purchaser, such as whether the purchaser is an appropriately registered housing provider, rather than being dependent on the precise tenure or infrastructure proposed at the point of land transfer. Market housing, shared housing and associated infrastructure may form part of a wider development which supports the delivery of social and affordable housing.

The Federation would therefore encourage HMRC to include proportionate change-of-use and adjustment provisions within the new regime, supported by clear guidance. The rules should distinguish between genuine changes arising from normal commercial, planning or development considerations and changes which are undertaken primarily to circumvent the conditions of the relief.

This would provide greater certainty for developers, landowners and RPs while ensuring that the VAT treatment does not unnecessarily constrain the ability to adapt schemes as they progress.

Q14: What evidence can be produced at the point the land is sold to demonstrate that it has been purchased by a registered social housing provider, and therefore qualify for the zero rate?

The LPDF considers that a certification requirement would provide an appropriate mechanism for the purchaser to confirm its eligibility for the relief.

This could be supported by evidence that the purchaser is included on the relevant social housing regulator's public register at the date of completion. Together with the contract of sale and standard identity checks confirming that the purchaser is the entity named in the transaction documentation, the LPDF considers that this should provide sufficient evidence to demonstrate eligibility for zero-rating.

This approach would provide a clear and objective process for sellers to establish that the purchaser is an eligible RP without requiring the seller to undertake further investigation into the purchaser's wider corporate structure or intended delivery arrangements.

The Federation considers that the evidence requirements should remain proportionate and straightforward so that they provide certainty for the parties without creating additional administrative burdens that could undermine the intended simplification of the new relief.

Q15: Can you see any risks or complications with a declaration mechanism in the form of certification?

The LPDF have no comments to make in response to this question.

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Q16: Are there any unintended consequences or complications of mixed tenure developments?

Mixed-tenure developments are common in residential development and can include a range of affordable housing tenures, including social rent, affordable rent, shared ownership, discounted market sale, and other routes to affordable home ownership. The LPDF considers that the proposed relief should therefore be capable of applying where land is acquired by an eligible RP for housing delivery, without the VAT treatment depending on the precise tenure classification of each individual unit at the point of transfer.

The principal risk is that the relief could be framed too narrowly by reference to a particular tenure or a narrow definition of 'social housing'. This could make the relief difficult to apply where tenure allocations change during the planning, funding or delivery process, or where units are moved between different tenures, blocks or phases. It could also create uncertainty around certification, clawback provisions and which party would bear any resulting VAT liability.

Practical complications may also arise where mixed-tenure schemes include shared infrastructure or common areas, such as estate roads, parking, open space and amenity areas, or where site boundaries are adjusted during the course of development. Where the underlying purpose remains the delivery of qualifying housing, the VAT rules should accommodate such ordinary course changes, without requiring disproportionate monitoring or retrospective adjustments.

The Federation therefore strongly supports the relief being based primarily on the status of the acquiring entity rather than the particular tenure of the housing being constructed. This would recognise that other housing tenures and associated infrastructure may form part of, and support, the RP's wider social and affordable housing objectives.

Where only part of a site is used for qualifying housing, the Federation recognises that some form of apportionment may be necessary. However, this should only be required where genuinely necessary, for example where a clearly defined part of the land is being used for non-residential commercial purposes. Any apportionment should be based on fair and reasonable principles consistent with existing VAT practice, with clear HMRC guidance and practical examples to support consistent application across the sector.

An additional consequence of earlier land transfers may be that RPs are able to access relevant Homes England funding at an earlier stage because they acquire an interest in the land sooner. The LPDF considers that this should primarily represent a timing benefit,

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allowing funding and development arrangements to be aligned earlier in the delivery process rather than creating a substantive change to the overall funding position.

Overall, the Federation considers that the relief should be sufficiently flexible to accommodate the normal characteristics of mixed-tenure development. A purchaser-status approach, supported by proportionate apportionment and adjustment rules where genuinely necessary, would provide greater certainty while avoiding unnecessary administrative burdens.

Q17: What additional support or guidance would help your organisation navigate the new VAT relief?

The LPDF would welcome clear and practical HMRC guidance being published at the same time as the legislation and the proposed certificate. The relevant VAT Notices and HMRC Internal Manuals should also be updated in due course to reflect the new rules. This would help reduce the risk of inconsistent interpretation or contradictory outcomes when the new relief is applied in practice.

The guidance should include practical examples demonstrating how the relief would operate across common development structures. It would also be helpful for HMRC to provide guidance on how the rules should apply where changes occur during the development process, including boundary adjustments, changes in tenure, plot substitutions and transfers within RP groups, where the underlying purpose remains the delivery of qualifying affordable housing.

Clear guidance would also be welcomed on the evidence and verification required at completion. In particular, this should clarify the extent to which sellers can rely on a valid purchaser certificate together with publicly available evidence confirming the purchaser's RP status.

The Federation considers that sellers should not be expected to undertake wider investigations into the purchaser's future use of the land where an appropriate certificate has been provided, provided that the seller has acted in good faith and has no reason to believe that the certificate or supporting information is incorrect. Clear confirmation of this principle would provide greater certainty and help ensure that the administrative requirements remain proportionate.

The LPDF would also welcome further consultation with relevant stakeholders on the final wording of the legislation, the proposed certificate and any associated HMRC Notices or guidance. The opportunity for developers, landowners, RPs and their advisers to review and comment on the draft legislation, certificate wording and guidance before implementation

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would help identify practical issues and ensure that the new relief can be applied consistently across the sector.

Q18: Are there any other changes that you think should be included to make the new relief easier for you to implement?

The LPDF considers that the new relief should be designed on a practical and proportionate basis so that it can be applied with confidence by developers, landowners, RPs and other organisations involved in the delivery of affordable housing.

In particular, the Federation would encourage HMRC to make use of existing VAT concepts, definitions, certification processes and compliance mechanisms wherever possible, rather than introducing new terminology or additional administrative requirements. Aligning the relief with concepts that are already familiar within the VAT legislation should make it easier to understand and implement and reduce unnecessary complexity.

The Federation also considers that HMRC should consider whether local authorities should be included within the definition of an eligible purchaser. Local authorities play an important role in the delivery of social and affordable housing and are already recognised within the VAT legislation. Including them within the scope of the relief, where appropriate, would help avoid unnecessary differences in VAT treatment between comparable housing delivery structures.

The relief should also be sufficiently broad to reflect the range of structures through which affordable housing is delivered. A definition based too narrowly on a particular tenure, use or delivery model could result in different VAT treatment for otherwise comparable arrangements and reduce the effectiveness of the relief in supporting wider housing delivery objectives.

The LPDF considers that the rules should also accommodate common RP group structures and genuine intra-group transfers where the underlying purpose remains the delivery of qualifying affordable housing. Land should be capable of being transferred within a RP group without creating an irrecoverable VAT cost or unnecessary uncertainty where the transfer forms part of a genuine delivery structure.

Consideration should also be given to land used for infrastructure, amenities and supporting facilities forming part of an overall affordable housing development. This may include estate roads, footpaths, parking, public open space, play areas, landscaping, drainage, utilities and other shared infrastructure. Although these areas may not themselves comprise housing units, they can be necessary to secure planning permission and deliver the wider housing scheme. Restricting the relief solely to the footprint of qualifying dwellings could therefore create unnecessary apportionment, compliance and clawback issues.

The LPDF would also encourage HMRC to ensure that the relief can apply to land where buildings or other structures already exist on the site. Sites may contain existing residential or commercial buildings which are subsequently demolished, redeveloped or converted as part of the proposed development. Excluding land simply because existing structures are present could materially limit the usefulness of the relief, particularly for redevelopment and brownfield schemes.

Finally, the Federation considers that the new relief should operate as an additional route to achieving the intended VAT outcome rather than being a mandatory replacement for existing ‘golden brick’ arrangements. This would provide flexibility for parties where existing arrangements remain appropriate while allowing those who can benefit from the new relief to adopt a simpler approach.

Overall, the LPDF supports an approach which is simple to operate, aligned with existing VAT definitions and mechanisms, sufficiently flexible to reflect common housing delivery structures and supported by clear HMRC guidance. This would give taxpayers greater confidence in applying the relief and reduce the risk that parties continue to rely on existing ‘golden brick’ arrangements because the new relief is perceived to be too narrow, uncertain or complex.

I hope that you find this representation helpful and please do noyt hesitate to contact me if you require anything further from ourselves or our members.

Yours faithfully

Phill Bamford

Policy Director

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