



HISTORIC  
HOUSES

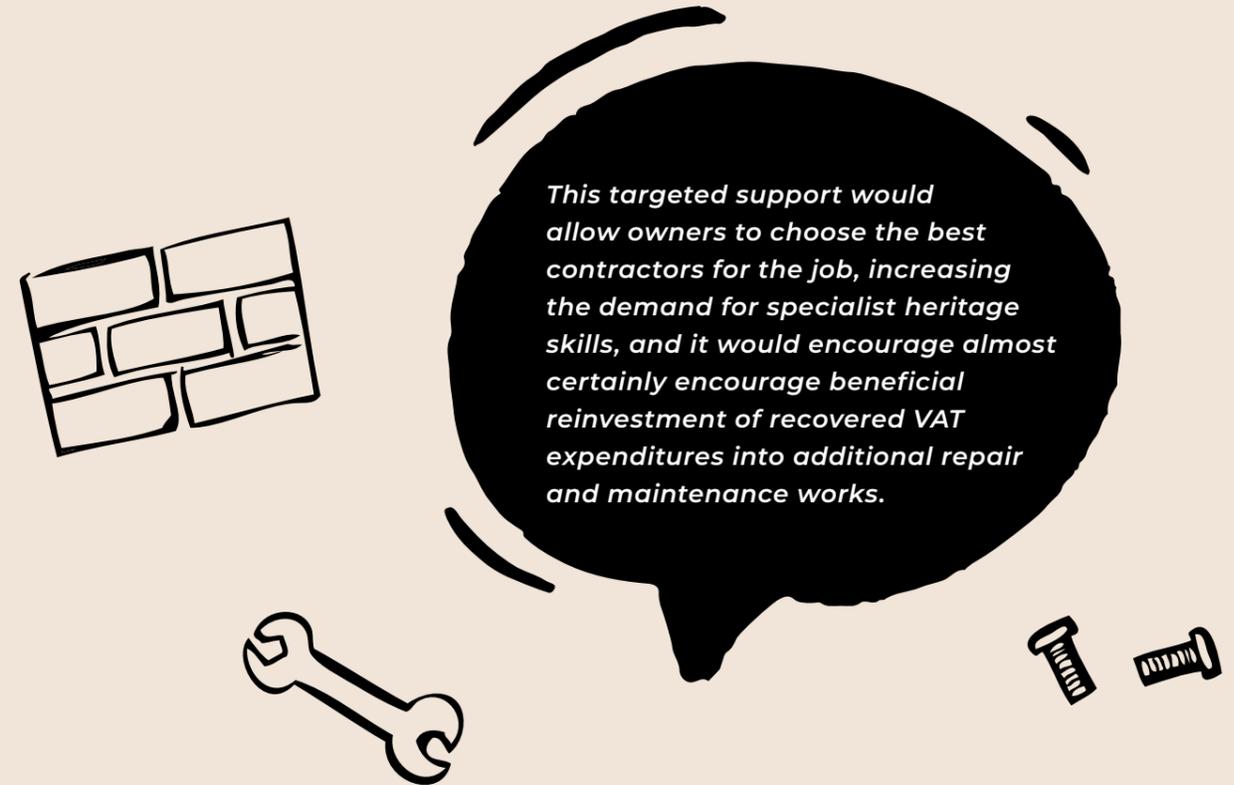
# VAT Rebates

Reducing repair and maintenance costs  
for UK's heritage destinations



# Foreword

*We propose a directly targeted, fully costed rebate scheme which would reduce effective VAT rates on the repair and maintenance of listed buildings open to the public for a minimum of 28 days a year.*



*Our research suggests a backlog of repair and maintenance across our 1,450 member houses of around £2 billion, in spite of an annual repair and maintenance spend in the region of £160 million*

2025 marks 75 years since the publication of the *Gowers Report*. This landmark investigation, commissioned under Clement Attlee, advocated a combination of protective regulations and supportive tax reliefs and grants as the most efficient means of guaranteeing the long-term protection of important built heritage.

This vision, whereby private ownership is supported in order to enable broader public benefits, continues to inform the official position of the UK government. The policy conditions for its implementation, however, have been eroded significantly since the 1990s, despite the challenges of keeping important, publicly accessible historic buildings in good repair and maintenance growing significantly.

Keeping up with the repairs backlog has always been a challenge for the owners and managers of historic buildings, but the Covid pandemic exposed the extreme fragility of the situation. Over 47% of Historic Houses places delayed or

cancelled urgent repairs and maintenance works due to lack of funds between 2020 and 2022. Our research suggests a backlog of repair and maintenance across our 1,450 member houses of around £2 billion, in spite of an annual repair and maintenance spend in the region of £160 million, with further evidence that current expenditure is insufficient to meet the need for urgent repairs.

This is clearly unsustainable. As things stand, VAT on repairs and maintenance of listed buildings is 20%: for many Historic Houses members (and beyond), this makes it a practical barrier to completing full repair and maintenance work. In the spring of 2024, we commissioned Harlow Consulting to survey and analyse our members' experiences with VAT, and to investigate potential mitigations.

Based on this evidence, we are proposing a **directly targeted, fully costed rebate scheme which would reduce effective VAT rates on the repair and maintenance of listed buildings open to the public for a minimum of 28 days a year.**

This targeted support would not only help owners and managers of heritage tackle the huge backlog of repairs and maintenance work, but our research suggests it would provide enough of an incentive for even more properties to open for public access, generating an estimated 300,000 additional visits to historic buildings every year. It would allow owners to choose the best contractors for the job, increasing the demand for specialist heritage skills, and it would encourage beneficial reinvestment of recovered VAT expenditures into additional repair and maintenance works.

Our research suggests such a scheme would come at a direct cost to HM Treasury of around £6 million per year. It would also directly induce economic activity worth in the region of £7 million per year, as well as bringing the demonstrated wellbeing benefits of heritage-related activities, especially those involving historic buildings, to more people. The case is clear.

**Ben Cowell**  
Director General, Historic Houses

# VAT: a thorny issue

*The principle of VAT is simple: most repair, renovation and improvement work to existing buildings is subject to Value Added Tax (VAT) at the standard rate of 20%. In practice it is much more complex. There are numerous variations, exemptions, and exceptions that have transformed what was intended to be a largely uniform system into one that is extremely challenging to grasp in its entirety.*

Looking after historic buildings is expensive. Maintenance of listed buildings requires specialist craftspeople, techniques and materials. Even a like-for-like replacement, which doesn't usually require listed building consent, is much more costly than for most normal houses. **As the majority of listed buildings are in private ownership, their upkeep is funded almost entirely by the individuals who enjoy and care about the heritage they live in.**

The challenges of repairing and maintaining historic buildings are compounded by the current fiscal regime. **Most repair, renovation and improvement work to existing buildings is subject to Value Added Tax (VAT) at the standard rate of 20%.** Listed buildings which support the activities of commercial businesses can — mostly — reclaim VAT from repairs and maintenance work. However, listed buildings which are not registered as commercial businesses cannot reclaim VAT in this way.

The heritage sector has long campaigned for reducing the VAT on the repair and maintenance of historic buildings, and this campaign broadened out further after the government removed

the only significant VAT concession for historic buildings, zero-rating for 'approved alterations', in 2012. A series of reports and evidence to parliamentary select committees presented the case that cutting VAT would facilitate repair of historic buildings, to the benefit of both the national heritage and the environment.

The campaign has, however, met with resistance from government, which has consistently argued that there is little evidence that VAT is impeding repair or that a blanket reduction of VAT would provide public benefits sufficient to compensate for the resulting loss of VAT revenue. This report proves otherwise. A targeted VAT rebate scheme would also almost certainly encourage beneficial reinvestment of recovered VAT expenditures into additional repair and maintenance works: the vast majority of VAT-paying respondents said that they would reinvest 100% of any savings in more repair and maintenance works.



# The conservation deficit

*Nearly half of those surveyed reported delaying or cancelling repairs and maintenance projects during the pandemic.*

When we surveyed our members in 2022, they reported that in spite of spending in the region of £160 million a year in total on repairs and maintenance (an average of £99,000 for each property), the value of their total estimated backlog of repairs and maintenance was more than £2 billion. This had grown from £1.3 billion in 2019: nearly **half of those surveyed reported delaying or cancelling repairs and maintenance projects during the pandemic** as commercial revenue dried up overnight, dramatically reducing cash flow and the ability to embark on significant capital works.

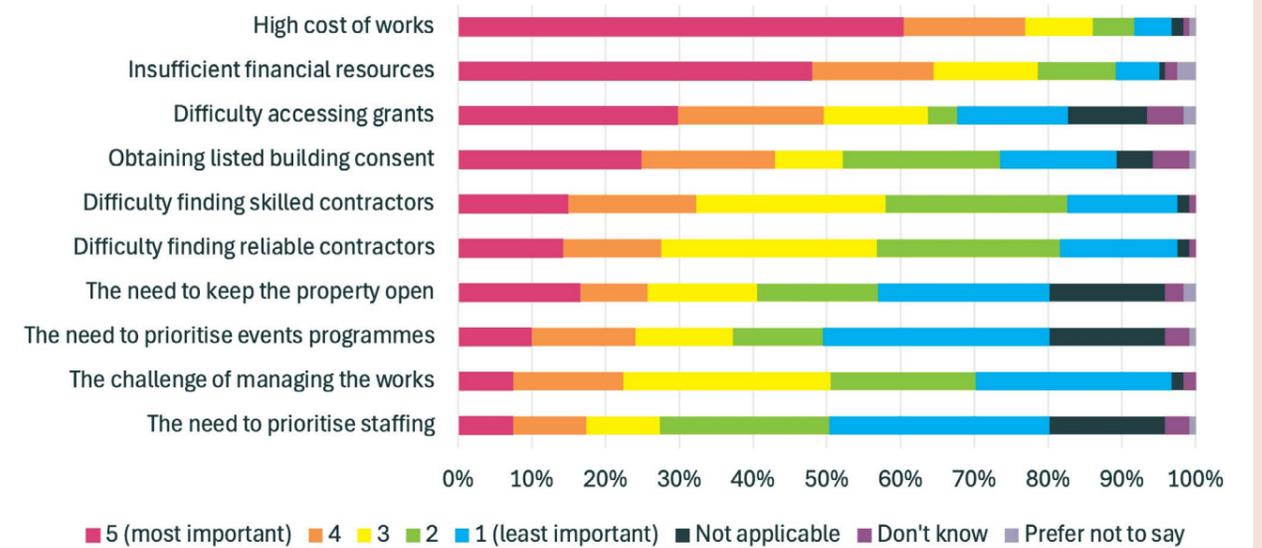
In our 2024 survey, the average reported expenditure on repairs and maintenance over the last year was in the region of £156,000-£161,000, and the gross amount of VAT paid in the region of £23,500 - £24,100 (an average effective gross VAT rate of just over 18%).

This is a significant amount of the budget for repairs and maintenance being eaten up by VAT. Respondents intimated that they have a fixed annual budget to put towards repairs and maintenance — so any money not spent on VAT would almost certainly be invested in further repair and maintenance projects. The high cost of works is routinely reported as being the first and foremost barrier to repair and maintenance.

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Relative significance of selected potential barriers to repair and maintenance, on a scale of 1 to 5, where 1 is least important and 5 is most important (n=121)



# Our research

**H**istoric Houses is the membership organisation for independently owned heritage. It represents about 1,450 grade I and II\* historic houses, castles and gardens — from world-famous sites like Castle Howard in North Yorkshire and Chatsworth House to individual private homes. Together, our members support some 32,000 jobs and add more than £1 billion a year to the UK economy. They also provide genuine pleasure and enjoyment, contributing directly or indirectly to the welfare of millions of people.

In June 2024, Harlow Consulting surveyed listed building owners and managers across the UK, receiving 121 responses.



# Profile

**A**ll but one of the properties surveyed were independently owned, by private individuals, companies and trusts or charities. 82% were Grade I or II\* listed buildings. Alongside the main listed building, there were around a further 870 structures which were in the curtilage of the main listed building — many (25%) of these additional structures were listed in their own right.

Respondents were largely distributed as expected across the UK, suggesting the sample is credibly representative of independently owned historic houses that are, or have the potential to be, heritage destinations.

The survey sought responses from properties that were either currently open or were considering opening to the public. Of the properties in the sample, 55% (n=67) are currently open for 28 days or more per year and 45% (n=54) are not.

**Table 1 Numbers and percentages of property types reported by respondents (n=121)**

PROPERTY TYPE	NUMBER (n=121)	PERCENTAGE
Historic house	101	84%
Historic park or garden	13	11%
Museum or art gallery	4	3%
Ruin or monument	1	1%
Other	1	2%



**Table 2 Numbers and percentages of respondent and Historic Houses publicly accessible properties by region**

REGION	Open Houses (n = 518)	Achieved sample (n = 121)
North East	13 (3%)	4 (3%)
North West	41 (8%)	12 (10%)
Yorkshire	32 (6%)	8 (7%)
West Midlands	48 (9%)	11 (9%)
East Midlands	40 (8%)	8 (7%)
East of England	59 (11%)	14 (12%)
London	14 (3%)	4 (3%)
South East	78 (15%)	12 (10%)
South West	92 (18%)	21 (17%)
Scotland	66 (13%)	15 (12%)
Wales	28 (5%)	7 (6%)
Northern Ireland	7 (1%)	5 (4%)

# Listed buildings and VAT

*Nearly two-thirds of properties in the sample reported that they are VAT-registered. Properties that are open to the public are more likely to be VAT-registered, with nearly 8/10 reporting that status, as opposed to only half of closed properties.*



**W**here buildings are used for taxable supplies — either because they support the activities of a VAT-registered business or because the owner has ‘opted to tax’ — then the input VAT on repair and maintenance is generally recoverable.

Of the VAT registered properties, most (86%) operate one of the standard VAT schemes that require input VAT to be recovered on an item-by-item basis. The remaining 14% of VAT-registered properties use a simplified scheme, such as one of the flat-rate schemes that allow a fixed proportion of tax-inclusive turnover to be remitted to HMRC in place of requiring detailed accounting of every input and supply made.

Given the complexity of the VAT system, it is unsurprising that some **45% of survey respondents had taken advice on VAT**, both to ensure that potentially applicable VAT-savings had been identified and to provide assurance that they were being secured in a fully compliant way.

Gross and net rates can be calculated for VAT-registered and non-VAT-registered businesses. These indicate that the average effective gross VAT rate for respondents that operate as VAT registered businesses on their average expenditure of around £182,000 to £185,000 is in the range of 17.7% to 18.6%, and the average effective net VAT is around 2.6% to 4.6%.<sup>1</sup>

For properties that are not VAT-registered, no VAT is recoverable, so there is no difference between the gross and net average effective VAT rates on their average expenditure of around £106,000. These are in the range of just over 18%.

<sup>1</sup> The effective gross VAT rate can be calculated by subtracting the VAT exclusive expenditure from VAT inclusive expenditure figure, dividing the result by the VAT exclusive figure, and multiplying by 100.

# How does VAT shape behaviour?

**T**imely, appropriate repair and maintenance is fundamental to adequate conservation of historic buildings. Where deferral of works, especially to the building envelope, leads to failure or damage, the implications can be serious and potentially irreversible, as it is often difficult and sometimes impossible to repair historic fabric with the same materials or to the same standards as those available in the past.

In general, VAT-registered properties reported that VAT on repairs and maintenance did not present a particular issue. For them, the VAT was entirely, or almost entirely, recoverable.

Issues did arise, however, where organisations had charitable objects and/or made their property, or parts of their property, freely accessible. In these cases, the 'business' use of the property is reduced, and the extent to which VAT is reclaimable is commensurately reduced. Thus,



***[If we could recover all the VAT, it would] justify the additional cost incurred in using specialist historic contractors to repair the property to a higher standard than we would otherwise.***

**INDIVIDUAL OWNER  
HISTORIC HOUSES, SOUTH EAST**



***We could get more done using traditional artisans e.g. dry stone wallers, heritage roofers, i.e. skilled trades which are being lost because we can't all afford to employ them all the time.***

**INDIVIDUAL OWNER, HISTORIC HOUSE  
SOUTH WEST**



in these circumstances, owners of historic buildings feel as though they are being penalised by the tax system for providing free public access.

One holder of a substantial number listed buildings that took part in the stakeholder interviews reported that the need to optimise VAT treatment required both costly professional advice, led to constant bureaucratic burden, and required the organisation to minimise the provision of non-chargeable use of properties, so reducing the public benefits that the charity would ideally have wished to provide.

Many reported making use of non-VAT-registered contractors even if they do not necessarily have the level of skills and experience needed to work on important historic buildings. This was mentioned in both interviews with sector stakeholders and directly in five responses to open questions in the survey.



Another noted the knock-on effect on the demand for traditional skilled trades, with VAT making it difficult to afford their higher cost: non-VAT-registered properties perceived VAT very negatively. Owners observed that VAT effectively created an additional burden on the already difficult business of caring for historic buildings. The considerable public benefits generated by owners investing in the care and maintenance of their properties deserved better recognition.

It might seem that an obvious solution for owners of publicly accessible heritage buildings would be to register for VAT, given the relatively large number of properties in the sample that were not VAT-registered (some 20% of open properties stated that they were not VAT registered). However, concern at the resulting administrative



***[VAT] makes full and complete repair prohibitive.***

**TRUSTEE, HISTORIC HOUSE, EAST MIDLANDS**



***The addition of VAT is a fund sapping figure when the goal is purely to improve the offering to the public.***

**HISTORIC HOUSE CHARITY, WEST MIDLANDS**



or other burdens of VAT-registration (especially when business use is relatively small proportion of the overall use of the property) may be significant factors in discouraging VAT registration.

It was evident that, for many owners, looking after their building is a labour of love, not a rational economic choice, and that they were subjecting themselves to considerable financial burdens for the sake of protecting and preserving heritage. As such, VAT is not just a practical barrier to better repair, but a source of real resentment and perceived unfairness for a important minority.

# A rebate scheme?

*Responses suggested that over 90% of recovered funds (in real terms, between £3.7 and 5.7 million) would be used for additional repair and maintenance work. In short, this scheme is extremely likely to achieve its intended purpose of addressing outstanding repair liabilities.*

Our research suggests a tightly targeted rebate scheme would be the most cost-effective way of incentivising and stimulating further repairs and maintenance work in listed buildings open to the public.

This rebate scheme would have direct benefit through the facilitation of additional or higher quality repair works, and by encouraging owners to make more heritage sites accessible to the public.

Moreover, the survey responses suggest that c. 90% of recovered funds (in real terms, between £3.7 and £5.7 million) would be used for additional repair and maintenance work. In short, this rebate scheme is extremely likely to achieve its intended purpose of addressing outstanding repair liabilities.

Other closely related benefits were being able to undertake repairs in a more timely way (cited by 15%); to save heritage (13%); to afford better qualified or more skilled contractors (7%); to make it easier to undertake major works (7%); to make it easier to justify undertaking minor works (3%).

If targeted specifically at independently owned listed historic houses open to public access therefore, there is central value of around £6 million to the Treasury, with **likely direct economic benefit in visitor spend and increased repair and maintenance expenditure of at least £14 million.**

However, this does not take into account that the tax revenue itself would potentially generate economic and public benefit impacts through government expenditure while consumer



*If a reduced or nil rate VAT applied, this would free up resource to help us maintain the heritage asset better.*

PRIVATELY OWNED HISTORIC HOUSE  
SOUTH WEST



expenditure on visits would be likely to have been spent on some other leisure activity. Nevertheless, it is important to note that for the most part the expenditure would **benefit the rural economy**, where most of the properties that would benefit directly are located. Moreover, a substantial proportion of the reinvested rebate and induced visitor spend would be expected to return to the Treasury through taxation.

A more broadly based scheme that was also made available to the main heritage charities would cost only very marginally more and would again almost certainly induce more economic activity than the direct cost of the scheme. Interviews suggested that English Heritage would be likely to reinvest all savings in additional repair and maintenance work, and more broadly, both the National Trust's and English Heritage's charitable objects would ensure that the funds were used for publicly beneficial purposes.



Table 5 Expected direct yearly cost to Treasury in foregone VAT revenue of VAT rebate scheme targeted at privately owned, publicly accessible domestic buildings, using central values from ranges for key data.

	Anticipated R&M expenditure	Effective net VAT rate	Estimated number of properties in population	Expected cost to Treasury (foregone VAT revenue)
Currently open Historic Houses properties	Approx. £140,000	4.7%	518	£3,408,000
Prospectively open Historic Houses properties	Approx. £120,000	9%	160	£1,728,000
English Heritage non-VAT registered properties	Highly variable		270	£740,000
National Trust non-VAT registered properties	Highly variable		37	Up to £250,000
Est. cost for targeted scheme	£6,126,000			
Other properties	£50,000 (assumed)	18% (assumed)	1300	Approx. £10,000,000 (but with high uncertainty)
Indicative total cost for broad-based scheme				Likely range: £11,000,000 -£20,000,000

The full economic analysis is available in *VAT-Rebates for Repairs to Publicly Accessible Heritage Sites* — Research for Historic Houses by Harlow Consulting [here](#).

***The case is clear: a tightly targeted VAT rebate scheme, modelled on the previous Listed Places of Worship (LPOW) grant scheme, would allow a significant portion of the UK's heritage destinations to benefit from reduced repair and maintenance costs, while simultaneously allowing reinvestment that would lead to improved building condition and substantial induced economic activity, both through additional heritage construction work being commissioned and greater numbers of heritage visits, with their associated wellbeing benefits.***

The relatively modest cost of a tightly targeted scheme, and one which had a fixed budget, and administration by either DCMS or an arms-length body, like Historic England, would allow government to oversee and fix the costs of the scheme. We are not asking HM Treasury to write a blank cheque: we are asking for a tightly targeted scheme which would be an effective stimulus to tackling the ever-growing backlog of repairs. The mechanisms for such a scheme have previously existed, and worked well.

An alternative could be to introduce a more generous interpretation of the rules relating to business and non-business use and to partial exemption in respect of repairs, maintenance and restoration where residential properties are operating as significant heritage destinations.

This would have a similar effect as a tightly targeted scheme but would not entail the bureaucratic burden on government and owners (along with the associated administrative costs) of running a grant scheme. Because it would have the same target as a tightly defined rebate scheme, the cost would be similar to — or less — than a rebate scheme.

There is good evidence that a VAT rebate scheme would address existing perverse incentives at a relatively modest cost. The scheme itself, whether creating a targeted heritage rebate scheme or by introducing greater flexibility into the partial exemption rules, would bring multiple

heritage, economic and social benefits, which could potentially help restore the balance of obligations imposed on, and support provided to owners of significant heritage assets.

***Looking after their buildings is a labour of love, not a rational economic choice ... they were subjecting themselves to considerable financial burdens for the sake of protecting and preserving heritage. As such, VAT is not just a practical barrier to better repair, but a source of real resentment and perceived unfairness for a significant minority.***





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