

Foreword

This notice cancels and replaces Notice 701/20 (April 2012). Details of the main changes to the previous version can be found in paragraph 1.2 of this notice.

1. Introduction

1.1 What is this notice about?

This notice gives information on:

- how supplies of caravans should be treated for VAT purposes (sections 2 and 3)
- the treatment of various services of a type normally supplied by owners of caravan sites, or other people making related supplies to the owners of caravans or caravan sites (sections 4 to 6)
- how you should treat supplies of houseboats including accommodation and the provision of other services connected to the supplies (section 7), and
- how to treat removable contents in new or second-hand zero-rated caravans and houseboats (section 8).

1.2 What's changed?

This notice has been updated and revised. The main changes are as follows:

- the VAT liability of caravans changed with effect from 6 April 2013 in accordance with the 2012 Budget announcements.

Paragraph 2.2 has been updated to outline those changes. Further information is available in VAT Information sheet 04/13.

This notice and others mentioned are available on our website, go to hmrc.gov.uk.

1.3 Who should read this notice?

Anyone who is involved in the manufacture or sale of caravans and houseboats, is a caravan site owner, or who provides accommodation in caravans and houseboats, or mooring facilities for houseboats.

1.4 What law does this notice cover?

This notice covers the following areas of the VAT Act 1994:

The conditions under which the supply of caravans and houseboats are zero-rated are set out in	Schedule 8, Group 9
Removable contents of caravans and houseboats are precluded from zero-rating unless they are of a type mentioned in	Schedule 8, Group 5, Item 4
The treatment of pitches for caravans and moorings for houseboats is covered by Note: Depending upon the circumstances these can either be exempt or taxable at the standard-rate .	Schedule 9, Group 1

2. The VAT treatment of caravans

2.1 What is a caravan?

The term 'caravan' is not defined in the VAT legislation. In practice we base our interpretation on the definitions in the Caravan Sites and Control of Development Act 1960 and the Caravans Sites Act 1968.

A caravan is a structure that:

- is designed or adapted for human habitation
- when assembled, is physically capable of being moved from one place to another (whether by being towed or by being transported on a motor vehicle so designed or adapted), and
- is no more than
 - 20 metres long (exclusive of any drawbar)
 - 6.8 metres wide, or
 - 3.05 metres high (measured internally from the floor at the lowest level to the ceiling at the highest level).

A 'twin unit' caravan can fall within this definition if composed of no more than two sections designed to be assembled on site by means of bolts, clamps and other devices, as long as, once assembled, it is physically capable of being moved from one place to another.

For a caravan to be regarded as designed for human habitation it must have the attributes of a dwelling, that is, it must consist of self-contained living accommodation. It would need to have washing facilities and the means to prepare food (such as kitchens and bathrooms).

We see the term caravan as including mobile homes (often known as residential park homes), static caravans (often called caravan holiday homes or lodges), but **not** motor caravans (often called motor homes).

A structure that fails to meet the conditions described above may constitute a building for planning purposes, in which case, the first sale or long lease of it may qualify for the zero rate of VAT under the conditions described in Notice 708 Buildings and construction.

The VAT liability of a caravan depends upon its size (see paragraph 2.2).

2.2 What is the liability of the supply of a caravan?

This paragraph should be read in conjunction with VAT Information Sheet 04/13.

For anyone making supplies of **NEW** caravans on or after 6 April 2013 it is necessary to establish whether or not VAT is chargeable:

- the supply will be **standard-rated** if it does not exceed **either** 7m in length or 2.55m in width
- the supply will be **reduced rated** if it exceeds **either** 7m in length or 2.55m in width **and** it is **not** manufactured to BS 3632:2005
- the supply will be zero rated if it was sold on or after 6 April 2013 and it exceeds either 7m in length or 2.55m in width and it is manufactured to BS3632:2005

For anyone making supplies of **SECOND HAND** caravans on or after 6 April 2013 the VAT liability follows the bullet points above unless:

- the caravan exceeds either 7m in length or 2.55m in width
- was occupied before 6 April 2013, and
- meets BS3632:2005 or an earlier version of that standard

If all three of these bullet points apply the sale of a second hand caravan will be zero rated.

Note that these measurements exclude towing bars and any similar apparatus used solely for the purpose of attaching the caravan to a vehicle.

2.3 What is meant by the supply of a caravan?

You are supplying a caravan if you do any of the following:

- sell it

- lease it under a long term leasing agreement under which the lessee is free to transport it to a park or other place of their own choosing
- loan it without making a charge
- divert it to your own personal use

3. Other supplies associated with caravans

3.1 How should I treat fixtures, fittings and removable contents?

Where **zero-rating** applies to a caravan, it also includes those goods which a builder would ordinarily incorporate into a new house or flat. Other fixtures and removable contents supplied with the caravan are **standard-rated**. Examples of goods falling into these two different liabilities are as follows:

Zero-rated Goods	Standard-rated Goods
sinks baths WCs fixed partitions water heaters	tables chairs mattresses seat cushions fridges carpets washing machines

The examples listed above are not exhaustive.

You will find more about this distinction in Notice 708 Buildings and construction. Section 8 to this notice explains how to calculate the tax due on removable contents

3.2 What if I make a charge for connecting caravans to main services (electricity, gas, water and sewerage)?

As a park owner you may charge caravan owners to connect their caravans to the mains services available at their pitches.

If you charge for connection to gas or electricity and are able to identify the actual consumption of users (i.e. through metering at the individual pitch), the connection fee will be **reduced rated**. If it is not possible for you to identify the actual consumption of users, the liability of the connection fee will follow the liability of the caravan pitch (see paragraph 4.1).

If you charge for the connection to water and sewerage, this will be **zero rated** if it is possible for you to identify the actual consumption of users (i.e. through metering at the individual pitch). If it is not possible for you to identify the actual consumption of users, the liability of the connection fee will follow the liability of the caravan pitch (see paragraph 4.1).

You should note that the connection fee does not include general maintenance or provision of the infrastructure which supplies the utilities to the pitch itself. See paragraphs 4.1 and 4.5 for information about charges for infrastructure and maintenance.

3.3 What happens if I charge for the delivery, unloading and positioning of caravans?

When you supply a caravan you may make a charge to the purchaser for delivering, unloading and positioning it. Providing the charge is reasonable, it will form part of the consideration for the supply of the caravan and the VAT treatment of the charge will **follow the liability** of the 'delivered' caravan (see section 8.6 if you use the method in section 8.2 to calculate VAT due on the sale of a caravan). This will be the case regardless of whether the supply is made by the manufacturer, dealer or site owner.

If you merely provide a delivery service (unconnected with the supply of the caravan) it is **standard-rated**.

3.4 What happens if I receive commission on sales of second-hand sited caravans?

A caravan owner may sell a caravan 'on site' at your park to which you are entitled to commission under the Mobile Homes Act 1983 (as amended), Caravan Act (Northern Ireland) 2011 or the terms of the licence agreement (contract). The commission you receive is to be treated as additional payment for the pitch and **follows the liability** of the pitch fee or rent.

You may make an additional charge to the seller in connection with the sale. This may be extra to the 'commission' allowed (for agency services etc) by the pitch agreement. If you do this, the additional charge is **standard-rated**.

Charges made to dealers, allowing them to place caravans which have been sold on an owner's site, are standard-rated. Where the charge is passed on to the caravan purchaser it is treated as part of the dealer's costs and forms part of the consideration for the caravan. The VAT treatment will **follow the liability** of the caravan.

3.5 How should I treat fees received from a third party?

You may receive a commission from a caravan manufacturer/dealer for the sale of the caravan. The supply is **standard-rated**.

3.6 The supply of skirtings

The provision of a skirting is generally integral to the agreement to supply a caravan. It **follows the liability** of the supply of the caravan.

The input tax that is attributable to these supplies should be determined accordingly.

4. Supplies associated with caravan pitches

4.1 What is the liability of a caravan pitch?

Pitch fees or rents received for the granting of the right to caravan owners to keep their caravans on pitches are either exempt or standard-rated. Broadly speaking, the intention of the law is to exempt pitches for caravans used as principal private residences.

The following table will help you to decide the liability of your supply. Words highlighted in **bold** are defined in the 'Notes' section at the bottom of the table.

Standard rated	Exempt
<p>The provision of pitches:</p> <p>a) on holiday/leisure sites, regardless of how they are used, except for those pitches occupied by employees of site operators as their principal private residences</p> <p>b) for restricted occupancy periods, except in the circumstances described in '(c)' to the right.</p>	<p>The provision of pitches:</p> <p>a) on permanent residential sites where caravans can be lived in at all times throughout the year</p> <p>b) on sites for Travellers where the caravans are used as principal private residences</p> <p>c) for restricted occupancy periods, but only if</p> <ul style="list-style-type: none"> • the site is not advertised or held out for holiday/leisure use, and • the pitch is intended to be used as the occupant's principal private residence

	d) any type of site (including holiday/leisure sites) if the pitch is occupied by a warden or other employee of the site operator as his or her principal private residence .
NOTES AND DEFINITIONS	
1) In determining whether a site is a ' holiday/leisure site ', HMRC will have regard to the way that the site is held out/advertised. In most cases, it will be clear from advertising material if a site is operated for holiday/leisure purposes.	
2) A pitch is for a ' restricted occupancy period ' if it is either provided for less than a year or is subject to an occupancy restriction .	
3) An ' occupancy restriction ' is any covenant (for example, agreement or term in a contract), statutory planning consent, site licence or similar permission, the terms of which prevent the person to whom the pitch is provided from occupying it by living in a caravan at all times throughout the period for which the pitch is provided (such as a condition that says 'no caravan shall be lived in during February').	
4) In the case of mixed use sites: <ul style="list-style-type: none">• any references above to 'holiday/leisure sites' include holiday/leisure parts of mixed use sites• any references to 'permanent residential sites' include permanent residential parts of mixed use sites.	
5) HMRC will accept that a caravan is intended for use as a principal private residence if the site owner holds evidence such as proof of listing on the <u>Valuation Office Agency's council tax register (www.voa.gov.uk); evidence that the occupier has received housing benefit to help with the pitch fee; or <u>agreements or contracts that indicate that the caravan is intended to be used as the occupant's principal home.</u></u>	

Pitch agreements impose certain obligations upon site owners such as the construction of pitches, bases and the park infrastructure. If you raise a one-off charge which is directly related to these obligations it will **follow the liability** of the supply of the pitch.

The input tax that is attributable to these supplies should be determined accordingly. For information about input tax attribution, see Notice 706 **Partial exemption**

4.2 The treatment of charges for electricity and gas

Providing you can identify the actual consumption of users (ie through metering at the individual pitch) you may account for VAT on supplies of electricity and gas to caravans at the **reduced rate**. If this is not possible, the liability must follow that of the main supply of the pitch rental (as explained in paragraph 4.1).

Optional hook up charges to electricity and gas services for touring caravans/motor homes and touring boats will be subject to VAT at the **reduced rate**. Any charge which is not optional forms part of the overall pitch fee which is **standard-rated**.

4.3 The treatment of charges for water and sewerage

Providing you can identify the actual consumption of users (ie through metering at the individual pitch), you may account for VAT on water and sewerage at the **zero-rate**. If this is not possible, the liability must follow that of the main supply of the pitch rental (as explained in paragraph 4.1).

Optional hook up charges to water and sewerage services for touring caravans/motor homes will be **zero-rated**. Any charge which is not optional forms part of the overall pitch fee which is **standard-rated**.

4.4 The liability of local authority charges

Where a caravan is used as a person's sole or main residence, it will generally be subject to council tax, for which the resident or owner of the caravan/park home will be liable.

Caravans on seasonal or holiday parks will not be subject to council tax (unless used as a person's sole or main residence). Instead, the owner of the caravan site will be liable to pay non-domestic rates for the whole site.

If, as a site owner, you pass on the cost of non-domestic rates to individual caravan owners, the recharge will form part of the pitch fee or rental and will be **standard-rated**.

4.5 The liability of service charges

Where you are making charges to individual caravan owners, treatment varies according to whether they apply to:

- the general upkeep and maintenance of the caravan park as a whole (its common areas) in which case they are part of the overall consideration for your supply of the pitch and **follow its liability, or**
- are specific services provided to particular residents in which case they are normally treated as **standard-rated**.

4.6 Payments for insurance services

The premium you pay to an insurer in order to cover your general liability or risks as a park owner is **exempt**.

However, if you recover this cost by making a separate charge to your caravan owners for 'insurance', the charge is treated as part of the overall consideration for your supply of the pitch. **It follows the liability** of the pitch fee or rent.

As the park owner you may be asked by a caravan owner to arrange insurance cover for the caravan owner's risks on his or her behalf. Any charge which you make, or commission that you earn, for arranging the insurance will be **exempt** from VAT, provided the caravan owner is the recipient of the supply of insurance made by the insurer, but please see Notice 701/36 Insurance for further information on this.

Any payments received in relation to the renewal of existing policies will follow the liability of the original supplies as explained above.

4.7 Fees for reservation and premiums

Fees which you charge to reserve a pitch at your caravan park are part of the consideration for the pitch and follow the VAT liability of the pitch fee. This is the case regardless of whether you make the charge to the caravan owner/purchaser or to a third party who is acting on behalf of the caravan owner/purchaser).

5. Supplies of accommodation in caravans

5.1 Holiday accommodation

If you provide accommodation in a caravan that is:

- sited on a park advertised or held out for holiday use, and
- let to a person as holiday accommodation

your supply will be **standard-rated**.

5.2 Off-season letting at holiday sites

If you provide accommodation in a caravan during the off-season, you may treat your supply as exempt from VAT provided:

- it is let to a person as residential accommodation
- it is let for more than 28 days, and
- holiday trade in the area is clearly seasonal

You should keep a copy of the tenancy agreement or similar evidence to show that the accommodation was occupied for residential purposes only. In such cases the whole of the let, including the first 28 days should be treated as an exempt supply.

The holiday season normally lasts from Easter to the end of September, but areas are not regarded as having a seasonal holiday trade if in practice it is common for tourists or holiday goers to come and go at all times throughout the year. This is likely to be the case, for example, in places of historical interest which attract tourists for reasons not dependent on good weather.

5.3 Residential accommodation

If you provide accommodation in a caravan that is:

- on a site designated by the local authority as for permanent residential use, and
- let to a person as residential accommodation

your supply will be exempt.

6. Miscellaneous

6.1 How should I treat supplies of car parking and garage fees?

If you supply a garage or parking space in conjunction with the supply of a permanent residential caravan pitch your supply is **exempt** providing:

- you retain ownership of the land on which the garage or parking space is sited, **and**
- the garage or parking space is reasonably close to the caravan pitch.

In all other circumstances supplies of garages and parking are **standard-rated**.

6.2 How should I treat the storage of touring caravans?

The storage of touring caravans is always **standard-rated**. This applies whether or not a specific area of land is granted to the caravan owner and includes contracts where the period of storage is in excess of one year.

6.3 Costs charged for the development and maintenance of common areas

Where costs relating to the development or maintenance of the common areas of the park are incurred, such as the installation of street lighting, resurfacing of roads, planting of trees and erection of fences, these will relate exclusively to the supply of the pitches and the recovery of the input tax will depend on whether the site is a residential or holiday site.

6.4 What happens if I make any other charges?

There are other charges that you may make to caravan owners.

These include:

- holiday booking services
- off-season storage and security (on-pitch or off-pitch)
- club membership
- repair and maintenance of caravans, and
- draining of water-systems

All are **standard-rated**.

7. The VAT treatment of houseboats

7.1 What is a houseboat?

A houseboat is defined for the purposes of VAT as being a floating decked structure

- which is designed or adapted for use solely as a place of permanent habitation, **and**
- which does not have the means of, and which is not capable of being readily adapted for, self-propulsion

7.2 What is meant by self-propulsion?

This term refers to any vessel that is **either**:

- independently propelled, **or**
- not independently propelled but could readily be adapted to be capable of self-propulsion, for example by installing an engine, propeller or mast

It is unlikely that a vessel such as a barge or a yacht would be regarded as a houseboat for the purposes of VAT because they are likely to lend themselves to being readily adapted.

7.3 How should I treat the sale of a houseboat?

If you sell a houseboat or let it on hire for towing away to a mooring of your customer's choice your supply is **zero-rated**.

Otherwise the sale of a boat, which is not a houseboat as defined above, is normally **standard-rated**.

7.4 Fixtures, fittings and removable contents

These are treated in the same way as caravans - see paragraph 3.1.

7.5 Supplies of accommodation in houseboats

If you let accommodation in a houseboat already sited at a mooring, the VAT treatment is the same as for caravans - see section 5.

7.6 Moorings for houseboats

If you supply a mooring for a houseboat the mooring is **exempt**.

If you supply a mooring for any other type of vessel, then your supply is **standard-rated unless it qualifies for zero-rating** as explained in **Notice 744c Ships & Aircraft**

7.7 Charges for delivery, sitting and connection to mains services

The VAT treatment is the same as for caravans - see paragraph 3.2 and 3.3.

7.8 Garages and parking spaces provided with houseboat moorings

The supply of a garage or parking space to the owner of a houseboat is **exempt** if:

- you are supplying it together with the mooring, **and**
- it is reasonably near to the mooring

8. Removable contents in new or second-hand zero-rated caravans and houseboats

Although reference in this section is made specifically to caravans you can also apply the guidance to the removable contents of zero-rated houseboats.

8.1 General

Removable contents, when supplied with or as part of a zero-rated caravan, are standard-rated, unless those contents are of a kind ordinarily incorporated by builders as fixtures in new dwellings (see paragraph 3.1 of this notice). Paragraphs 8.2 and 8.3 below explain how you arrive at the value for tax of the removable contents. You do not have to use any of the methods shown below but, if you do use a different method, it must still give a fair and reasonable result and will be subject to inspection by HM Revenue & Customs. Further examples of available methods can be found in Notice 700 The VAT Guide.

Paragraph 8.6 tells you how to deal with other items included in the selling price of both new and used caravans.

8.2 New caravans

You can arrive at a value for the standard-rated removable contents of a new caravan by reference to the costs you have incurred. The following example shows how standard-rated removable contents in a caravan which you have bought from a manufacturer for immediate resale may be valued.

You buy a caravan from a manufacturer. Its cost is:

[New Caravan - Cost example \(PDF 13K\)](#)

If you add further removable contents to those provided by the manufacturer or take out some of the removable contents provided before selling a caravan, you must add/subtract these costs as appropriate, before making the above calculations.

If you advertise the caravan and the removable contents at separate prices and the customer is entirely free to purchase the vehicle at the lower price without the removable contents, then the charges for the removable contents may be treated separately for VAT purposes. This is because there are separate supplies of the caravan and the removable contents each with their own consideration.

8.3 Used caravans

You may use one of the two different ways shown below to deal with VAT on removable contents. Whichever method you adopt you must apply it consistently and not alternate between methods when calculating the tax due on each of your supplies.

- Actual values. You calculate a precise value for each of the standard-rated removable contents provided you can produce adequate documentary evidence to support each valuation if required
- Standard apportionment of values. You use the standard method of apportionment for caravans that has been agreed with the National Caravan Council Ltd and the British Holiday and Home Parks Association Ltd. Under this agreement, the value of the standard-rated removable contents shall be taken as 10% of the tax-exclusive selling price of the complete caravan

Where a tax-exclusive price is used the VAT is calculated as follows:

[Used Caravan - Cost example \(PDF 13K\)](#)

8.4 Margin scheme for the sale of used caravans

VAT is normally due on the full value of the removable contents within a zero rated caravan. However if you buy and sell used caravans you do not have to account for VAT on the full value of the removable contents but may use the Margin Scheme to calculate, and account for VAT on the difference (or margin) between your buying price and selling price for the removable contents. If no margin is made (because the purchase price is equal to or exceeds the selling price) then no VAT is payable.

The Margin Scheme can also be used for the sale of second hand caravans that do not meet the criteria for zero rating.

For more information about the Margin Scheme, including the records you are required to keep and the conditions that must be met you should refer to **Notice 718 The VAT Margin Scheme and global accounting**

8.5 Margin Scheme

You may use the Margin Scheme for the sale of used caravans provided that you can meet the conditions of the scheme in Notice 718 Margin Schemes and global accounting. If you use a margin scheme in conjunction with the apportionment method described in paragraph 8.3 above you may apply the 10% apportionment to the margin rather than the full selling price. **The margin will always be tax inclusive, so the VAT should be calculated as follows:**

Margin on the sale of caravan including any charges for delivery

Multiply by 10% then multiply by one sixth

If you adopt an alternative method it must produce a fair and reasonable result.

8.6 Other charges included in the selling price

As explained at paragraph 3.3, charges made at the time of supply of the caravan for delivery, unloading and positioning are regarded as part of a single supply of the caravan, and form part of its price. If you use any of the above methods of apportionment the calculation should be made on the total of all such amounts. Other charges, such as reservation fees, premiums, pitch fees or commissions should be excluded from the calculations.

Your rights and obligations

Your Charter explains what you can expect from us and what we expect from you. For more information go to [Your Charter](#)

Do you have any comments or suggestions?

If you have any comments or suggestions to make about this notice, please write to:

HM Revenue & Customs
VAT Liability Team
3rd Floor
100 Parliament Street
LONDON
SW1A 2BQ

Please note this address is not for general enquiries.

For your general enquiries please contact our helpline Telephone: 0300 200 3700.

Putting things right

If you are unhappy with our service, please contact the person or office you have been dealing with. They will try to put things right. If you are still unhappy, they will tell you how to complain.

If you want to know more about making a complaint go to www.hmrc.gov.uk and under quick links, select Complaints and appeals.

How we use your information

HM Revenue & Customs is a Data Controller under the Data Protection Act 1998. We hold information for the purposes specified in our notification to the Information Commissioner, including the assessment and collection of tax and duties, the payment of benefits and the prevention and detection of crime, and may use this information for any of them.

We may get information about you from others, or we may give information to them. If we do, it will only be as the law permits to:

- check the accuracy of information
- prevent or detect crime
- protect public funds

We may check information we receive about you with what is already in our records. This can include information provided by you, as well as by others, such as other government departments or agencies and overseas tax and customs authorities. We will not give information to anyone outside HM Revenue & Customs unless the law permits us to do so. For more information go to **www.hmrc.gov.uk** and look for Data Protection Act within the Search facility.