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Prior to the introduction of these guidelines there had been variations between organ builders on the charging of VAT on church organs. The guidelines in this leaflet reflect no changes in the law; instead they are intended to bring greater clarity.

Any resulting queries should be raised with the appropriate VAT Business Advice Centre (normally the office dealing with the organ builder) for a full ruling. Full details - which can be in layman's terms - of the work involved should be provided so that a decision can be given.

The information contained within this leaflet is applicable to both pipe organs and electronic substitutes.

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These guidelines have been agreed between HM Customs & Excise and The Institute of British Organ Building. They set out the VAT position on organs installed in churches and are designed to be read in conjunction with VAT Notice 708 'Buildings and construction' (appendix I).

The guidelines are based on Customs' interpretation of the law and aim to provide a broad outline of the general principles to help organ builders and churches decide the VAT liability of work they undertake.

For the purposes of these guidelines, a church must be used for a current religious purpose and wholly for non-business activities. A definition of non-business can be found in VAT Notice 701/1 'Charities' (appendix II).

These guidelines are divided into various sections each dealing with a different aspect as follows;

- Section 1** sets out the general position for the supply and installation of organs and for work to existing organs
- Section 2** looks at organs installed in the course of the construction of a new church
- Section 3** covers work on organs installed in existing churches
- Section 4** deals with the implementation of these new guidelines
- Annex A** reproduces the 'qualifying use' certificate
- Annex B** gives two flowcharts to guide you through the liability maze
- Annex C** gives a summary table which is designed to be read in conjunction with the guidelines themselves

Section One – The General Position

(a) Contracts to supply and install a new organ

In general, the supply and installation of either a pipe or an electronic organ is standard-rated. However, there are two exceptions to this basic rule where zero-rating is allowed subject to certain conditions. These exceptions are:

- the supply and installation of an organ as a fitting in the course of the construction of a new church
- the supply and installation of an organ as a fitting in the course of an approved alteration to a listed church

In each of these cases, the conditions for zero-rating are as follows:

1. The church must give a ‘qualifying use’ certificate to the supplier (an example of such a certificate is attached at Annex A); and
2. The supply of the organ and the service of installation must be by the same person and be made to the church and not to a developer; and
3. The organ must be incorporated into the building as a fitting. By this we mean that it must be affixed to the building in such a way that it is not easily removable. As a guide, an organ will be a fitting if it is fixed to become part of the building but is still capable of being removed without doing serious damage, but will not be a fitting if it is any of the following;

- mounted on a free standing platform
- fitted on castors
- simply plugged in to an electricity socket
- designed to be moved

(b) Works to an existing organ

In general, all works to the organ itself are standard-rated. However, the one exception to this basic rule is where the organ is in a listed church and the work to the organ is in the course of an ‘approved* alteration’ to that church. In these cases, zero-rating is allowed on condition that;

- the organ is a fitting as defined in 3 above; **and**
- the church gives a qualifying use certificate to the supplier; **and**
- there is an alteration to the structure of the church

ANNEX C

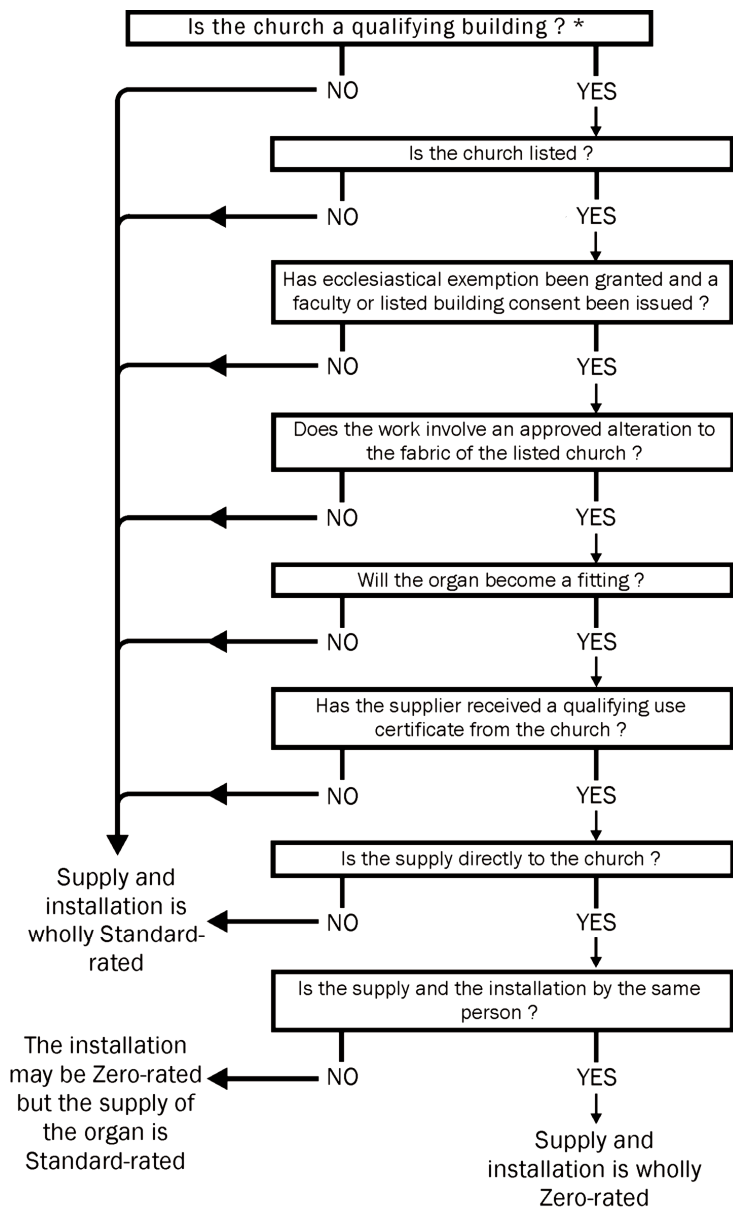
SUMMARY TABLE - To be read in conjunction with the Guidelines

Nature of supply	Liability	Section in guidelines*	Conditions for zero-rating *
1. Supply and installation of a new organ			
▪ General position	S/R	1 (a)	N/A
▪ In the course of the construction of a new church	Z/R**	2	1(a)
▪ As a first time installation in a listed church:			
▪ Involving an alteration to the church building	Z/R**	1(a) & 3 A(e)	3 A(e)
▪ As a first time installation in a listed church:			
▪ NOT involving an alteration to the church building	S/R	3 A(e)	N/A
2. Work on existing organs in listed churches			
▪ Work on organ in isolation	S/R	1 (b) & 3 A(b)(i)	N/A
▪ Work on organ involving a structural alteration to church building	Z/R**	3 A (b)(ii)	3 A (b)(ii)
▪ Work on organ involving repair and maintenance to the church building	S/R	3 A(b)(iii)	N/A
▪ Relocation of an organ involving a structural alteration to the church building	Z/R**	3 A(d)	3 A(b) (ii)
▪ Relocation of an organ NOT involving a structural alteration to the church building	S/R	3 A(d)	N/A
▪ Relocation of an organ involving repair and maintenance of the church building	S/R	3 A(d)	N/A
▪ Replacement of an organ involving a structural alteration to the church building	Z/R**	3 A(c)(i)	3 A(b)(ii)
▪ Replacement of an organ NOT involving a structural alteration to the church building	S/R	3 A(c)(ii)	N/A
▪ Replacement of an organ involving repair and maintenance of the church building	S/R	3 A(c)(ii)	N/A
3. Work on organs in unlisted churches			
▪ ALL work whether or not it involves alterations	S/R	3 B	N/A

* references relate to the appropriate section(s) in the guidelines themselves

** zero rating is conditional (see fourth column of table)

VAT liability of the *supply and installation of an organ in an existing church*



* 'Qualifying building' in the context of these guidelines is a church used for a current religious purpose and wholly for non-business activities.

This is dealt with in greater detail at Section 3 below.

* the meaning of 'approved' in relation to churches can be found in the current edition of VAT Notice 708.

Section Two - New Churches

The supply and installation of an organ in the course of the construction of a new church is zero-rated provided that the three conditions listed in Section 1(a) above are met.

By special agreement, the installation may be up to 12 months after the church is complete so long as there is a legally binding contract to supply the organ which was signed before occupation of the new church. This rule of thumb recognises that sometimes installation may be delayed to ensure that the organ is not damaged by dust during the building process.

Section Three – Existing Churches

A. LISTED CHURCHES

(a) General

Zero-rating is available for certain supplies made **in the course of 'approved alterations'** to listed churches, subject to the issue of a qualifying use certificate.

The interpretation of 'alteration' has been considered by the Courts. The House of Lords has ruled that for alteration work to qualify for zero-rating two requirements must be satisfied:

- (i) it must be an alteration to the structure or fabric of a building;
- and**
- (ii) it must not be any work of repair or maintenance.

The 'structure' or 'fabric' of a building consists of the following items;

- Walls
- Internal surfaces
- Windows
- Doors
- Roof
- Ceilings
- Floors
- Stairs
- Landings or galleries

It follows, therefore, that only alterations to these parts of a listed church may be zero-rated as 'approved alterations'.

(b) Work on existing organs in listed churches

(i) As an organ is not 'fabric' as defined above, it follows that any work to it in isolation (i.e. work that does not also involve altering the structure of the church in which it is housed), is not an alteration for VAT purposes and so must be standard-rated.

Examples include;

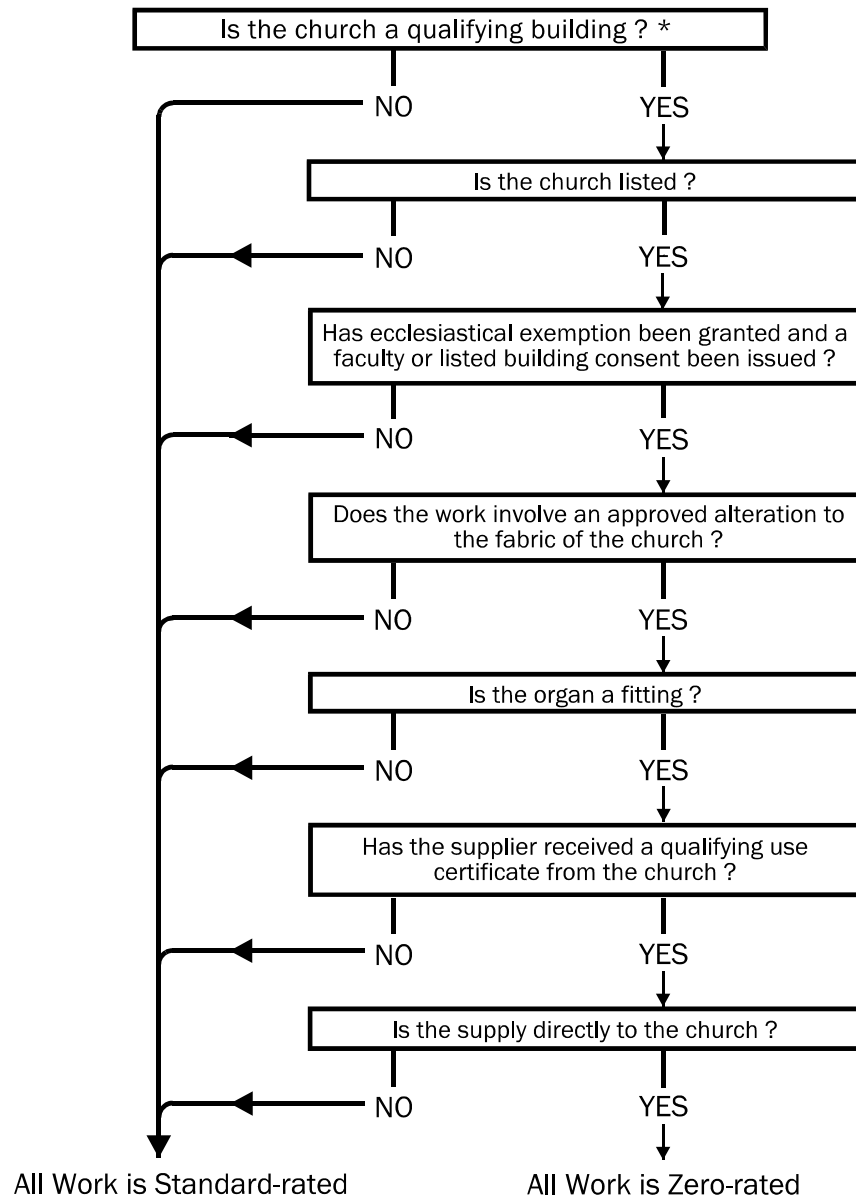
- work to the casework
- relocation of console or other parts
- adding/removing pipes
- work to the stops or mechanism
- substitution of organ parts using modern materials e.g. plastic instead of leather
- restorations
- rebuilding
- tuning
- revoicing
- any repair or maintenance work

(ii) **However**, where work is carried out on an organ and this work does involve an alteration to the fabric of the church in which it is housed, or alternatively if an approved alteration is carried out on the fabric of the church and this involves work to an organ, then all of the work to both the organ and the church will be **in the course of an 'approved alteration'** and all will be eligible for zero-rating so long as the following conditions are met:

- the alteration must be approved - see VAT Notice 708
- the alteration must be more than de-minimis i.e. it must be more than a slight or insignificant alteration to the church such as simple screwing or bolting to floors or walls etc.
- the organ must be a fitting as defined in Section 1
- a qualifying use certificate must be given by the church to the supplier.
- the supply must be made directly to the church rather than to a developer.

ANNEX B – Flowcharts

VAT liability of *work to* an organ in an existing church



* 'Qualifying building' in the context of these guidelines is a church used for a current religious purpose and wholly for non-business activities.

5.	<p>I/We certify that the information given above is correct and complete.</p> <p>I am/We are aware of the law as contained in Group 5 or Group 6 of Schedule 8 of the VAT Act 1994 and claim relief accordingly.</p> <p>I/We also certify that this organisation (in conjunction with any other organisations where applicable) is to use this building or identified parts of this building solely for a qualifying purpose.</p> <p>I/We understand that if the building or zero-rated part of it is disposed of, let or otherwise used for a non-qualifying purpose within the period of ten years from the date of its completion, a taxable supply will have been made, and this organization (and any other organisations where applicable) will account for tax at the standard-rate.</p> <p>Name (print):</p> <p>Position held:</p> <p>Signed:</p> <p style="text-align: right;">Date:</p>
6.	Name, address and VAT registration number of developer or building contractor:
7.	Date certificate received by developer or builder:
8.	Date certificate received by VAT office:

Warnings:

1. *There are penalties for the issue of a false certificate. If you are unsure about anything covered by this certificate you must seek help from your local VAT Business Advice Centre.*
2. *Receipt of a certificate cannot zero-rate supplies where relief is otherwise denied by the notes to Groups 5 and 6 of Schedule 8 to the VAT Act 1994.*
3. *Customs and Excise reserve the right to alter the format of the certificate through the publication of a new Notice. You must ensure that the certificate used is current at the time of issue.*

An example of what would be accepted as an alteration to the fabric of a church is the setting of a steel or wooden framework into the wall perhaps as part of the first time installation of an organ or as part of the relocation of an existing organ. In this example, all of the work would be eligible for zero-rating subject to the five conditions above.

An example of work which would not be accepted as an alteration would be minor works such as simply screwing an organ to the floor or the wall. In this example, all of the work would have to be standard-rated.

(iii) Where work of repair or maintenance is carried out on the church, and this involves work to the organ, then all of the work must be standard-rated because it is not an 'approved alteration'.

(c) Replacements of organs in listed churches

(i) The replacement of one organ by another which involves an alteration to the fabric of the church is wholly zero-rated so long as the five conditions listed in sub-paragraph (b) (ii) of this Section are met.

Zero-rating will apply to both the supply and fitting of the organ provided that both are supplied by the same person, and also to the alteration work. An organ supplied on its own without the fitting service will be standard-rated.

(ii) The replacement of one organ by another which does not involve an 'alteration' to the fabric of the church or which involves repair and maintenance of the church, is wholly standard-rated.

(d) Relocations

Where an organ is moved from one part of the church to another and this involves an alteration to the fabric of that church, then all work relating to the relocation will be zero-rated, again subject to the conditions laid out in sub-paragraph (b)(ii) of this Section.

If the relocation does not involve an alteration to the fabric of the church, then everything will be standard-rated.

(e) First Time Installations

Where an organ is installed as a first time provision in a listed church and this involves an alteration to the fabric of that church, then both the supply of the organ and the alteration work will be zero-rated so long as the conditions listed in Section 1(a) and sub-para (b) (ii) of this section are met.

These are as reproduced as follows:

1. a qualifying use certificate must be given to the supplier; **and**
2. the organ must be incorporated into the church as a fitting; **and**
3. the supply of the organ and the service of installation must be by the same person and be made to the church and not a developer; **and**
4. the alteration to the church must be more than de-minimis.
5. the alteration is approved - see VAT Notice 708

If the installation does not involve any alteration to the fabric of the church, then everything will be standard-rated.

B. UNLISTED CHURCHES

All work of alteration or repair and maintenance to unlisted churches is standard-rated. Therefore, the supply and installation of an organ as a first time provision in an unlisted church, and any work to an organ already installed in an unlisted church is subject to VAT at the full standard rate.

There are no exceptions to this rule.

Section Four - Implementation

The effective date for implementation of these guidelines was 6th October 1997, however any suppliers who already had formal written agreements in place with their local VAT office in respect of the VAT treatment of current contracts would have been allowed to complete those projects as agreed.

Current contracts where the VAT liability has not already been agreed with the local VAT office, and all new contracts will, however, be subject to the new guidelines.

If you have any queries regarding the information contained in these guidelines, please contact your local VAT office.

ANNEX A - Qualifying Use Certificate

CERTIFICATE FOR DEVELOPERS AND BUILDING CONTRACTORS IN RESPECT OF RELEVANT RESIDENTIAL AND RELEVANT CHARITABLE BUILDINGS

THIS CERTIFICATE HAS THE FORCE OF LAW

1.	Name and address of business(es)/charity(ies) using the building: VAT Registration number (if applicable):																								
2.	Address of qualifying premises (if different from above):																								
3.	Date (or estimated date) of completion of building: Estimated value of supply £																								
4.	I/We certify that I/we have read the current edition of VAT notice 708 <i>Buildings and construction</i> . This certificate is being issued in respect of the supply described in that Notice at paragraph 3.3, sub-paragraph: <table style="width: 100%; border: none;"> <tr> <td style="width: 5%;">(1)</td> <td style="width: 85%;">the first grant of a major interest in a relevant residential building</td> <td style="width: 10%; text-align: right;">yes/no</td> </tr> <tr> <td>(2)</td> <td>the first grant of a major interest in a relevant charitable building</td> <td style="text-align: right;">yes/no</td> </tr> <tr> <td>(3)</td> <td>the first grant of a major interest in a building converted into a relevant residential building</td> <td style="text-align: right;">yes/no</td> </tr> <tr> <td>(4)</td> <td>the construction of a relevant residential building</td> <td style="text-align: right;">yes/no</td> </tr> <tr> <td>(5)</td> <td>the construction of a relevant charitable building</td> <td style="text-align: right;">yes/no</td> </tr> <tr> <td>(6)</td> <td>the construction of an annex to a relevant charitable building</td> <td style="text-align: right;">yes/no</td> </tr> <tr> <td>(7)</td> <td>an approved alteration to a relevant residential building</td> <td style="text-align: right;">yes/no</td> </tr> <tr> <td>(8)</td> <td>an approved alteration to a relevant charitable building</td> <td style="text-align: right;">yes/no</td> </tr> </table>	(1)	the first grant of a major interest in a relevant residential building	yes/no	(2)	the first grant of a major interest in a relevant charitable building	yes/no	(3)	the first grant of a major interest in a building converted into a relevant residential building	yes/no	(4)	the construction of a relevant residential building	yes/no	(5)	the construction of a relevant charitable building	yes/no	(6)	the construction of an annex to a relevant charitable building	yes/no	(7)	an approved alteration to a relevant residential building	yes/no	(8)	an approved alteration to a relevant charitable building	yes/no
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