

Extract from (page 92):

'Living with Beauty'

Promoting health, well-being and sustainable growth

The report of the Building Better, Building Beautiful Commission, January 2020

Fair tax for existing places. VAT is charged at 20 per cent on repair, maintenance and adaptation work to buildings. However, new buildings are not charged VAT. This incentivises demolishing existing buildings and starting again. It discourages regenerative development. It encourages greenfield over brownfield development. Government VAT rules are therefore not in alignment with its policies on planning, as set out in the NPPF. This should change. As the Northumberland and Newcastle Civic Society put it to us in their evidence earlier this year:

*'It is desirable to make better use of existing buildings in city centres given not only the colossal challenges facing traditional urban based business but critically the need to better use finite natural resources... we want to dispel the perception that renovation represents poor value for money in comparison with demolition and reconstruction.'*⁴⁸

The built environment sector is currently responsible for 35-40 per cent of total greenhouse gas emissions in the UK.⁴⁹ To meet our legally binding commitment to becoming a carbon neutral nation by 2050, we need to incentivise the reduction of emissions from buildings. It is estimated that the carbon embodied in new residential buildings can account for more than 50 per cent of their lifetime greenhouse gas emissions.⁵⁰ Recycling buildings is normally more sustainable than demolishing them and starting afresh. For example, constructing a new-build two bedroom house uses up the equivalent of 80 tonnes of CO₂. Refurbishment uses eight tonnes. Even with the highest energy-efficient specification the new build would take over 100 years to catch up.⁵¹ The embodied energy in the bricks of a typical Victorian terraced house would drive a car more than ten times around the world.⁵² 'The greenest building is the one that is already built.'⁵³

When looking specifically at the demolition of listed buildings, then the loss becomes more profound. What many historic buildings and conservation areas have in common is their adaptability. They often have had to be adaptable to remain functional throughout a longer life-span. Their continued existence and use also highlights their built quality as they have had to be long lasting. Indeed, over 20 per cent of our residential building stock is now over 100 years old. A further 16 per cent dates from before the Second

World War. However, there are currently few policies targeted at extending the life of these buildings or reducing their carbon emissions. Historic buildings that are underused and vacant could provide much needed homes and spaces for businesses. For example, it is estimated that there are over 2,400 underused or vacant mills in the North West and West Yorkshire. If refurbished, these historic mills could provide over 52,000 new homes, without the substantial carbon emissions from equivalent new builds.⁵⁴

The retention and use of historic buildings also brings about secondary social and economic benefits. Research indicates, for example, that the quality of the historic environment is as important a factor as road access when businesses decide where to locate. The greater the density of heritage assets, the better the performance of the creative industries and the greater the level of specialisation towards the creative industries.⁵⁵

All of this highlights the inconsistency of the VAT position within a system that seeks to ensure the most sustainable and popular outcomes. The need to address this commands increasing public recognition, having been championed by the *Architects' Journal* in its RetroFirst campaign. Many of the submissions that the Commission received included strong calls for this reform, including those of the TCPA, the UK Green Building Council, the Home Builders Federation and Historic England.

- **Policy Proposition 23: align tax for existing and new places.** We believe that the government should make bringing derelict buildings back into use VAT free, or charge at most a reduced VAT of 5%. It should do the same for core improvements to existing buildings, including reroofing, extensions, conversions and renewable heating. It is not necessary that VAT be reduced for DIY or interior decoration, which do not have corresponding environmental significance. We believe that it is possible that such a move could;
- Provide a £15.1 billion stimulus to the wider UK economy and 95,480 extra jobs by 2020; and
- Lead to almost 240,000 tonnes of CO₂ equivalent savings from 92,000 homes⁵⁶ Similar VAT reductions have resulted in an increase in consumer demand and employment in the Isle of Man and the Netherlands.⁵⁷