



VAT TREATMENT OF LAND INTENDED FOR THE CONSTRUCTION OF NEW SOCIAL HOUSING

Issued 14 August 2026

ICAEW welcomes the opportunity to comment on the VAT treatment of land intended for the construction of new social housing, published by HMRC and HM Treasury on 23 June 2026, a copy of which is available from this [link](#).

ICAEW supports the introduction of a targeted VAT relief for land acquired for the construction of new social housing. The current treatment encourages transfers to take place only once development has reached the "golden brick" stage and, while the sector has adapted to this, it delays the transfer of land and grant funding, adds administrative burden and increases transaction costs. A well-designed relief would remove those frictions without significantly altering the underlying policy framework.

We would, however, caution against expecting the relief to deliver more than it can. Golden brick is a source of cost, friction and delay rather than a barrier to delivery, and the principal constraints on social housing supply lie elsewhere. The relief is worth making for the reasons above, but it should not be relied on as a supply measure.

Any new relief should build on existing VAT concepts and certification mechanisms wherever possible, minimising compliance burdens for businesses and HMRC. It should apply to qualifying sales to registered providers regardless of whether the seller is the original landowner or an intervening developer, and it should operate effectively for the mixed-tenure developments that characterise much of the modern social housing sector. The government should also provide a straightforward mechanism for dealing with changes in tenure mix, clear guidance on interaction with existing VAT reliefs, and a consistent approach across all four nations of the UK.

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This response of 14 August 2026 has been prepared by ICAEW's Tax Faculty.

Internationally recognised as a source of expertise, ICAEW's Tax Faculty is a leading authority on taxation and is the voice of tax for ICAEW. It is responsible for making all submissions to the tax authorities on behalf of ICAEW, drawing upon the knowledge and experience of ICAEW's membership. The Tax Faculty's work is directly supported by over 130 active members, many of them well-known names in the tax world, who work across the complete spectrum of tax, both in practice and in business. ICAEW Tax Faculty's Ten Tenets for a Better Tax System, by which we benchmark the tax system and changes to it, are summarised in Appendix 1.

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ICAEW notes that the consultation period is only eight weeks and coincides with the summer holiday period. This is insufficient for a consultation on issues of this complexity and significance, which require stakeholders to gather evidence, consult affected parties and assess practical implications. We encourage HMRC and HM Treasury to allow sufficient time for consultation wherever possible to ensure that stakeholders can provide comprehensive evidence and that robust conclusions can be drawn from the consultation process. ICAEW also notes that shorter consultation periods are inconsistent with the Tax Faculty's Ten Tenets for a Better Tax System.

KEY POINTS

1. ICAEW supports the introduction of a targeted VAT relief for land acquired for the construction of new social housing. The proposal would remove real costs, administrative burdens and timing constraints created by the current "golden brick" approach.
2. The relief should be targeted at registered providers, using existing VAT definitions and certification mechanisms wherever possible, provided the qualifying use is described broadly enough to capture the full range of tenures a registered provider delivers under its regulatory and grant framework. Those definitions do not currently reach local authorities and should be extended to do so. Building on established concepts would minimise complexity and reduce compliance costs.
3. The relief should apply to qualifying sales of land to registered providers regardless of whether the seller is the original landowner or an intervening developer. This would better reflect modern social housing delivery models without extending the scope of the relief.
4. Mixed-tenure developments are the area where the practical effectiveness of the relief will be determined. The government should adopt a straightforward apportionment method and permit a proportionate true-up at practical completion where the final tenure mix differs from that anticipated at acquisition.
5. Any certification process should rely on evidence already held by registered providers and should not require burdensome new documentation. Where a seller relies on a certificate in good faith, responsibility for any incorrect certification should rest with the registered provider issuing the certificate.
6. The government should ensure that the relief operates consistently across all four nations of the UK and provide clear guidance on its interaction with existing VAT rules, including the option to tax and the construction zero rate.
7. Finally, we note that the eight-week consultation period, much of which fell during the summer holiday period, limited the time available for stakeholders to gather evidence and engage fully with these proposals.

ANSWERS TO SPECIFIC QUESTIONS

Question 1: Are you responding as:

8. Another type of organisation (professional body)

Questions 2 and 3 are not applicable.

Question 4: Does HMRC/the government's understanding accurately reflect your knowledge of what happens in practice?

9. Broadly, yes. The consultation accurately describes the current VAT treatment of land for social housing and the transactional structures the sector has developed in response to it. In particular, we recognise the description of the "golden brick" approach and the way registered providers and developers work together to secure zero-rating on the first grant of a major interest once construction has progressed above foundation level.
10. We would, however, offer two points of refinement to the underlying characterisation:
11. Social housing is somewhat unusual in that VAT incurred on land can become an irrecoverable cost, because the onward supply, the letting of social housing, is exempt and therefore blocks the recovery that would otherwise flow through the normal VAT system. By contrast, in many common forms of commercial and for-sale development, VAT incurred on the acquisition of an interest in land is recoverable because the onward supplies are taxable: for example, a developer building homes for sale recovers it against the zero-rated first grant, and a developer letting commercial property recovers it having opted to tax.
12. The current option-to-tax disapplication does not solve this. It removes the VAT charged to the registered provider, but only by returning the supply to exemption – which in turn blocks the landowner's own recovery on the costs it has incurred and may require it to repay VAT previously recovered. A landowner asked to accept a disapplication certificate is therefore being asked to absorb a cost of its own, which is precisely why the market has developed golden brick structures in preference to a straightforward exempt sale. It is this specific interaction – exempt onward use severing the recovery chain – that the golden brick approach exists to work around, and that the proposed relief is intended to address. We set out at Q5 how, in practice, it creates cost and friction.
13. We would also observe that the consultation's central case – a sale of bare land to a registered provider – is only one of the routes by which social housing is delivered, and is perhaps in practice not the most common approach. A significant proportion of delivery occurs where a developer acquires land and builds out a mixed-tenure site itself, transferring the affordable element to a registered provider. We address the implications of this below but note here that the accuracy of the consultation's understanding depends heavily on which delivery route is in view, and the harder practical questions arise on the developer-led route rather than the straightforward sale the consultation is focused on.

Question 5: What is your assessment of how the current 'golden brick' rules create barriers to the construction of social housing?

14. Our members' experience is that 'golden brick' is better understood as a source of cost, friction and delay than as a barrier to delivery. The rules have operated long enough that the sector understands them and structures schemes around them as a matter of routine; they rarely determine whether a scheme proceeds. We make this point not to minimise the case for reform – the relief is worth pursuing to remove real and quantifiable friction – but it should not be oversold as a measure that will, by itself, materially increase housing supply.
15. Within that framing, it is worth recognising that the golden brick stage is not a construction milestone chosen because of any inherent commercial or operational significance. Rather, it has become the industry's preferred transfer point because it is effectively the earliest stage of development at which VAT law permits the desired outcome. The current rules therefore influence the timing of transactions in a way that would not otherwise occur.
16. The current rules create three distinct difficulties:

- a. Cost and cashflow: because beneficial VAT treatment depends on construction reaching above foundation level, a developer must incur a substantial proportion of total project cost before title can pass to the registered provider. This ties up capital and, for the registered provider, delays the point at which it can take title – which in turn delays access to the grant funding that taking title often unlocks.
- b. Administrative burden: evidencing that each building has reached the requisite stage of construction requires building-by-building monitoring and documentation. This is time-consuming and costly, and the cost is generally ultimately borne by the registered provider.
- c. Timing and delivery: the combined effect is to push the transfer of title – and therefore grant drawdown and the certainty that comes with it – later into the development programme than the parties would otherwise choose. It is this timing constraint, rather than any absolute bar, that the proposed relief would ameliorate, by allowing the beneficial treatment to attach at the point of the land transaction rather than waiting on construction progress to the level of the ‘golden brick’.

Question 6: Are there specific areas where VAT rules on land have a greater impact on your activities?

17. We consider this question extends significantly beyond the specific proposals under consultation, into the VAT treatment of land more generally — an area with its own long-standing complexities, including the interaction of exemption, the option to tax, and the range of certificates and reliefs that have developed around them. We have confined our comments in this response to the issues arising from the changes proposed, on which we have gathered specific member input, rather than offer views on the wider landscape without an equivalent evidence base. We would welcome the opportunity to engage with HMRC further on VAT and land more broadly, outside the scope of this consultation.

Question 7: What is your definition or understanding of the term ‘social housing’? (Please reference any statutory definitions that may be relevant including planning regulations and legislation.)

18. The starting point, in our view, is the statutory definition in the Housing and Regeneration Act 2008. Section 68 defines "social housing" as comprising low cost rental accommodation, defined at section 69, and low cost home ownership accommodation, defined at section 70 – broadly, accommodation made available below market cost to those whose housing needs are not adequately served by the commercial market, subject to the rent or equity-sharing conditions those sections set out. Sections 73 to 76 set out the circumstances in which accommodation ceases to be social housing, and section 72 confers a power to make regulations treating property as, or not as, social housing. This is the definition administered by the Regulator of Social Housing, and we consider it the appropriate and most authoritative anchor for a VAT relief directed at social housing.
19. We would draw attention, however, to a definitional divergence the government will need to address. "Social housing" as defined in the 2008 Act is not the same concept as "affordable housing" as used in the planning system. The National Planning Policy Framework defines affordable housing more broadly, spanning a range of tenures – including affordable rent, social rent, shared ownership, First Homes, discounted market sale and rent-to-buy – some of which sit outside the 2008 Act's definition of social housing. A relief that refers to "social housing" without specifying which framework applies risks real uncertainty at precisely the point where the two diverge.
20. Our recommendation is that the relief anchors to the 2008 Act definition rather than the wider planning concept of affordability. We would, however, encourage the government to satisfy itself that the qualifying use is described broadly enough to capture the full range of tenures a registered provider delivers under its regulatory and grant framework. Rent-to-buy illustrates the risk. It is an established affordable tenure funded through the Affordable Homes Programme, delivered by registered providers, and let at below-market rent for a period before the tenant exercises an option to purchase – but it may not fall within the

2008 Act definition. If it does not, a registered provider acquiring land for rent-to-buy homes would be outside the relief, while the same provider acquiring land for social rent on the same site would qualify. That is a difficult distinction to justify, and precisely the kind of definitional boundary dispute the relief should be designed to avoid.

21. More generally, we would encourage the government to describe the qualifying use by reference to the delivery of social and affordable housing by a registered provider, rather than by a list of named tenures. Tenure products evolve, and a list drafted by reference to today's products will tend to generate exactly the definitional arguments that undermine certainty. Anchoring instead to the acquisition of land by a registered provider for its regulated housing delivery function keeps the test administrable while ensuring it does not turn on which products a list happens to capture at the point of drafting.
22. Finally, we note that housing regulation is devolved, and the statutory definitions and regulatory frameworks differ across the four nations of the UK. Any definition adopted for the relief will need to operate correctly and consistently across all four; we address how VAT law already achieves this, and its implications for the design of the relief, at Q11.

Question 8: How would a new relief reduce the complexities in the current system and incentivise your business's ability to develop social housing quicker? (meaning accelerate the delivery of social housing to help achieve the government's objective of building 1.5 million new homes).

23. As a representative body, we answer by reference to specific evidence members have shared with us, since the effect varies considerably by scheme type.
24. One clear example concerns sites intended exclusively for registered-provider-led delivery. A developer member described wanting to structure a current scheme as a registered-provider-exclusive agreement, because the cashflow works better under that structure – but noted that doing so under the current rules still requires incurring at least 30% of total project cost to reach golden brick before title, and beneficial VAT treatment, can transfer, and that this in turn requires the registered provider to fund a larger upfront deposit to the developer than it would need to if it held the land directly from the outset.
25. Our member's clear preference, in an ideal world, would be for the land to be able to be transferred to the registered provider straightaway – at the point of purchase, before any construction spend – with the developer then completing the scheme as contractor under a building contract, funded by the registered provider's own resources as the works progress. That is precisely the sequence the proposed relief would enable: it removes the VAT reason that the golden brick is currently used as the transfer point, allowing land to move to the registered provider at the outset and construction to proceed as a services contract from day one, rather than as a staged land transaction partway through the build. Our member identified specific live examples where this would make a material difference to whether such a scheme proceeds on those terms.
26. However, we would frame the wider effect more cautiously. Golden brick has operated long enough that the sector has learned to work with it, and we do not expect the proposed relief, by itself, to transform aggregate housebuilding volumes. Its more precise and defensible effect is to make registered-provider-exclusive delivery a materially easier structure to bring forward – which, given the government's stated preference for higher proportions of social rent, is a meaningful benefit even where it is not transformative in scale.

Question 9: How would a new relief reduce administrative burdens for your business? (landowner, developer, social housing provider).

27. As a representative body, we answer by reference to what members report, since the burden falls differently on each party.
28. For landowners and developers, the principal saving is the removal of the building-by-building monitoring and certification described at Q5. Replacing a transaction that currently

depends on monitoring construction progress and transferring title only once the golden brick threshold is reached with a single land transaction removes a recurring administrative burden, not merely a cashflow cost.

29. For registered providers, the relief would allow reliance on a single certification at the point of purchase, rather than the ongoing monitoring and evidencing that the golden brick approach requires. Members with direct experience of the existing certification regimes – the option-to-tax disapplication certificate and construction zero-rating certificates – report that the underlying mechanism is well understood and works well, provided the evidential ask remains light: anchored to documents parties already hold, such as planning permissions, board approvals or other ordinary project records, rather than requiring bespoke new documentation. We discuss the appropriate certification mechanism, and the protection it needs to carry, at Q14 and Q15.
30. We would also note, without repeating the detail given at Q18, that in some delivery models a relief allowing a registered provider to acquire land directly may eliminate an additional transaction – and its associated compliance costs, including a separate SDLT filing – rather than merely reducing the burden within the existing two-transaction structure. (References to SDLT in this response should be read as extending equally to Land and Buildings Transaction Tax in Scotland and Land Transaction Tax in Wales, which apply on a similar basis to comparable land transactions.)

Question 10: What types of organisations do you consider provide social housing? (Please reference any regulation of bodies mentioned if relevant.)

31. Social housing in the UK is commonly delivered by registered providers. VAT law does not use that term, but it already contains a closely equivalent concept – the "relevant housing association" – which we would encourage the government to reuse rather than redefine. The closest analogy is para 10, Sch 10, VATA 1994 under which an option to tax has no effect on a grant of land made to a relevant housing association where that association certifies the intended use of the land. That provision is the natural precedent for this relief: it already applies to a land transaction, it already operates through a certificate given by the purchaser, and it is already directed at social housing. It contains its own definition of "relevant housing association" at paragraph 10(3); a parallel definition appears at Schedule 8, Group 5, Note (21) for the purposes of item 3 of that Group. Between them, these provide an existing framework covering the equivalent regulated bodies in each of the four nations, and we recommend it as the starting point for this relief rather than a newly drafted definition. It would, however, need extending: as we set out below, because no limb of the existing definition applies to local authorities.
32. We note two further points on the make-up of the sector that are relevant to how any relief is framed:
 - a. "Registered provider" already encompasses both not-for-profit and for-profit bodies. Any relief keyed to registered-provider status will therefore extend to for-profit registered providers as well as traditional housing associations. Given the increasing role that for-profit registered providers play in the sector, the government should confirm whether this outcome is intended.
 - b. Local authorities are important providers of social housing. In England, local authorities that provide or intend to provide social housing are required to be registered. However, local authorities fall outside the existing VAT definition of a "relevant housing association", because the English limb of that definition is confined to a private registered provider of social housing rather than a local authority. Direct council-led delivery would therefore require express provision if it were to be brought within any relief drawn around the existing VAT definition. Given the renewed policy emphasis on council housebuilding, this is worth the government addressing explicitly rather than leaving to inference.
33. Finally, modern delivery models frequently involve developers, joint-venture vehicles and other commercial partners working alongside registered providers and local authorities.

While these entities may not themselves be the long-term provider of the housing, their involvement in delivering grant-funded social housing schemes highlights the importance of ensuring that any relief interacts correctly with contemporary delivery structures. We return to this at Q11.

Question 11: Are there any issues associated with limiting relief to registered providers? (Please provide any additional detail that you feel will be relevant.)

34. We support registered-provider status as the qualifying condition for this relief – it is administrable, it builds on regulatory oversight that already exists, and it avoids the government having to construct and defend a free-standing definition of qualifying housing. Our concern is not with the principle of a registered-provider condition, but with ensuring it is drawn to include, rather than inadvertently exclude, the delivery routes through which social housing is actually built. That means both the intervening-developer point we expand on below and, as we note above, the express inclusion of local authorities.
35. The consultation's proposal is silent on the identity of the seller and provides only that the relief will enable a registered provider to purchase and take title to qualifying land. However, the illustrative examples focus on a three-party model in which a developer builds to golden brick before transferring title to the registered provider. In practice, delivery will often involve a developer first acquiring the site – commonly subject to a section 106 obligation – before transferring the affordable element to the registered provider. We would therefore welcome express confirmation that a qualifying sale to a registered provider attracts the relief regardless of whether the seller is the original landowner or a developer who has subsequently acquired the site, since the registered provider's position – and the policy rationale for relieving it – is essentially the same in both cases.
36. We do not think this requires new legislation to resolve. The existing option-to-tax disapplication certificate at para 10, Sch 10 already attaches to the registered provider as buyer, whichever party is selling – the certificate turns on the status and intention of the purchaser, not the identity of the seller. The same principle should apply here and would simply confirm what the proposal's own wording does not, on its face, exclude. Our recommendation is that the relief expressly apply to any qualifying sale of land to a registered provider, whether the seller is the original landowner or an intervening developer, rather than leaving this to inference from the illustrative examples. This is a scope clarification, not a new relief or a new certification burden: the registered provider still certifies to whichever party it buys from, exactly as it would under the existing regime.
37. We note briefly that grant-funded delivery increasingly involves joint-venture vehicles and other commercial partners alongside registered providers, that qualifying transfers are not always structured as straightforward freehold sales, and that the qualifying status must in any event be read consistently across all four nations of the UK – for which para 10(3), Sch 10, VATA 1994 provides a starting framework, subject to the extension we describe at Q10. We would encourage the government to address each of these points in the final design of the relief, but they are secondary to the scope clarification above, which we consider the central issue arising from limiting relief on supplies to registered providers.

Question 12: Are there any unintended consequences or risks you foresee with the introduction of this new relief?

38. We would highlight one structural point before turning to the specific risk that follows, because it shapes how that risk should be weighed. The scope for abuse of this relief is narrower than it may at first appear, because of the nature of the underlying VAT position. Once construction of a qualifying dwelling begins, the grant of a major interest in it is zero-rated in the ordinary way regardless of the tenure at which the completed building is ultimately let – this is a feature of the existing construction zero rate and is unaffected by the new relief. The only point at which this relief introduces a genuinely new condition is the land acquisition itself, which is zero-rated on the strength of the registered provider's certified intention.

39. Where the certified intention later changes, the VAT risk should be assessed against what the land is ultimately used for, rather than by assuming that every departure from the original certificate gives rise to an Exchequer loss. In many cases, the land will still be used for the construction of dwellings, and the VAT treatment will therefore have changed the timing and mechanism of recovery more than its ultimate availability. This is why we consider a proportionate adjustment mechanism of the kind we recommend at Q13 sufficient, and why additional front-end conditions would in our view add administrative burden without materially reducing Exchequer risk.
40. The principal risk we see is that the scope of the relief is drawn too narrowly – whether by reference to the identity of the seller (Q11), the definition of qualifying land (Q18) or the treatment of mixed-tenure sites (Q16), with the result that it fails to apply to a significant proportion of the transactions it is intended to help, while doing little to reduce the risk of abuse. We consider this the risk most likely to determine whether the relief succeeds in practice, and we set out our recommended design changes to address it at each of the questions referenced.

Question 13: How frequently do plans for the development of social housing change? When plans do change, in what way do they change?

41. Our members report that plans change frequently, particularly before a scheme reaches a fully funded and committed position. Viability assessments are revisited as costs and land values move; planning consent is often obtained later than the original scheme assumed; and the balance between social rent, other affordable tenures and market sale is adjusted in response to all of the above. Even once a scheme is committed and funded, section 106 obligations can still be the subject of renegotiation, most commonly through a viability review, and wider policy or funding shocks can reshape the sector's position across many schemes at once regardless of individual funding agreements already in place – the reduction in social housing rents mandated in the mid-2010s is one example of an external change that materially affected registered providers' budgets and delivery plans even where specific schemes were already funded and underway.
42. On mixed-tenure sites specifically, member evidence indicates that it is common for a lengthy period, usually over a year, to elapse between the acquisition of land and the point at which the eventual split between social housing and other tenures is known with certainty. This has a direct bearing on the design of the relief: it means that intention certified at the point of land acquisition should be understood as the parties' best position at that time, not a fixed and final commitment, and any mechanism for adjusting relief where outcomes differ from that initial certification needs to accommodate ordinary, expected variation rather than treating every change as a matter for correction or sanction.
43. We would recommend that any adjustment mechanism draws on the same broad self-supply principles already used elsewhere in VAT law for changes of use, for example under the existing relevant residential purpose (RRP) and relevant charitable purpose (RCP) provisions. Where a certified intention is not ultimately borne out in the completed scheme, an output tax adjustment could arise, with input tax recovery then determined in the normal way by reference to the land's actual use. We would not expect HMRC to need to undertake extensive case-by-case distinctions in applying such a mechanism: where land moves to a use that itself supports full recovery, the charge and recovery may substantially offset one another, while in other cases the adjustment will reflect the extent of the divergence from the certified use. Drawing on the established change-of-use principles already used elsewhere in VAT law is, in our view, preferable to constructing an entirely new clawback regime for this relief. The aim should be to adapt an existing and familiar framework to the context of land acquired for future development, rather than create a wholly separate set of rules.
44. We therefore recommend that any adjustment mechanism be proportionate and confined to the period between land acquisition and practical completion, rather than mirroring the full change-of-use provisions that apply elsewhere in the VAT Act in their entirety, which are designed for a different context – completed, certificated buildings rather than land acquired

for future development – and would impose disproportionate monitoring burdens relative to the risk involved if imported wholesale. We return to the design of this mechanism, and how it should interact with the mixed-tenure apportionment we recommend, at Q16.

Question 14: 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?

45. In our view, the evidence required at the point of sale should be kept deliberately light and should draw on documentation that a registered provider will already hold rather than create a new category of record specific to this relief.
46. The starting point is confirmation of the buyer's qualifying status. Registration with the relevant regulator (the Regulator of Social Housing in England, or the equivalent body in Scotland, Wales or Northern Ireland) is a matter of public record and straightforward for a landowner to verify. We note, however, that registration alone does not establish qualifying status under the existing VAT definition, which excludes local authorities notwithstanding that they are registered. Resolving the point we make at Q10 would allow landowners to rely on a single public check.
47. Beyond this, we recommend a short certificate from the registered provider to the landowner confirming its intention to use the land for the construction of social housing, following the existing model used to disapply a landowner's option to tax under para 10, Sch 10. HMRC already prescribes form VAT1614G for this purpose, and the government should consider adopting an equivalent prescribed certificate for any new relief. This would provide a familiar and well-understood mechanism for taxpayers and HMRC alike and minimise the need for new administrative processes. Paragraph 10(5), Sch 10 already provides a legislative model by allowing HMRC to specify the form of the certificate and the information it must contain, and we would encourage the government to adopt a similar power for the new relief.
48. Where further supporting evidence is thought necessary, our recommendation is that it be anchored to documents the registered provider already holds in the ordinary course of a project – such as planning permission or other planning documentation, and internal board or investment approvals for the acquisition – rather than requiring bespoke new documentation to be prepared solely to obtain the benefit of the relief. This keeps the evidential burden proportionate and consistent with the government's stated aim of minimising administrative burdens, while still giving HMRC a real evidential basis to rely on if a certificate is later questioned.
49. We would emphasise one further design point, which we develop fully at Q15: because the underlying evidence of intended use will often crystallise only over the course of a scheme, the certificate given at the point of sale should be treated as evidence of the registered provider's position at that time, not as an on-going warranty that the landowner is expected to monitor. Responsibility for updating or correcting the position as a scheme develops should sit with the registered provider that issued the certificate, consistent with the government's own proposed model.

Question 15: Can you see any risks or complications with a declaration mechanism in the form of certification?

50. The certification mechanism proposed is, in principle, the right approach. It follows a model the sector already understands from the existing option-to-tax disapplication certificate and construction zero-rating certificates, and our members report that, where it has been used, it works well.
51. The critical complication is who bears the risk of an incorrect certificate. If a landowner remains exposed to an assessment after relying in good faith on a certificate given by a registered provider, the relief will not work as intended: rational sellers will price that risk into the transaction, decline to rely on the certificate, or simply charge VAT and leave the registered provider to reclaim it if it can. Any of these outcomes would substantially

undermine the relief, because the cashflow benefit it is designed to deliver depends on landowners being willing to transact on the strength of the certificate at the point of sale.

52. We therefore recommend that, where a landowner relies on a certificate, responsibility for any underdeclared VAT and any associated penalty should rest with the registered provider that issued the incorrect certificate. To avoid this protection resting on an undefined standard, we recommend it be framed by reference to objective conditions, consistent with the approach already used elsewhere in the VAT system: the landowner should be protected where it obtained a validly completed certificate before making the supply and had no actual knowledge, and no reasonable grounds to suspect, that the certificate was incorrect. This is consistent with the approach adopted for existing certificates such as VAT1614G, where the consequences of an incorrect certificate generally fall on the certifying party rather than a supplier who has relied on it in good faith. We would also encourage HMRC to publish clear guidance on what steps – for example, confirming the registered provider's status on the relevant regulator's public register – would be sufficient to meet this standard, so that landowners have certainty about what is required of them rather than facing an after-the-fact assessment of their conduct.
53. The possibility that a registered provider may later become insolvent after issuing a certificate does not justify transferring the risk to a landowner that has relied on a certificate in good faith. We note this has particular relevance given that for-profit registered providers, discussed at Q10 and Q11, are within scope of the relief and may in some cases carry a different risk profile from long-established housing associations.
54. Finally, the certification process should operate on a practical basis and should not require separate certification of every plot on a phased or mixed-tenure site. We develop this point at Q16.

Question 16: Are there any unintended consequences or complications of mixed tenure developments? We are interested to understand more around practical or delivery concerns that you think may be relevant in this context.

55. In our view, this is the area on which the practical effect of the relief will most depend, and we would encourage the government to treat it as a priority in the final design.
56. Very few sites of any scale are delivered as social housing alone: mixed-tenure development, combining social rent, other affordable tenures and market sale on a single site, is the norm rather than the exception, and the balance between tenures is frequently not settled until well after the land has been acquired, as we describe at Q13. If the relief is to have a meaningful effect on the delivery of social housing, it needs to apply to the qualifying part of these mixed sites, not only to sites delivered wholly for social housing – otherwise it risks reaching only a limited proportion of the transactions it is intended to help.
57. We recommend that the relief apply proportionately to the qualifying part of a site, with the balance taxed in the ordinary way, and that this be done as simply as possible: the more complex the apportionment or qualification requirements, the fewer sites will benefit in practice, and the greater the risk that parties structure transactions artificially to work around unnecessary complexity – which would work against the government's own objective of minimising opportunities for misuse.
58. This requires a workable method of apportioning a single land transaction across tenures. We recommend that the government specify a simple apportionment basis that parties can apply with reasonable confidence at the point of acquisition, recognising that the final position may differ once the scheme is complete.
59. Because the eventual tenure split will often differ from the position at acquisition, we consider that a true-up at practical completion, measured against the tenure actually delivered, would be a preferable approach, potentially drawing on the broad self-supply principles we describe at Q13. We would recommend this incorporate a de minimis threshold, below which no adjustment is required, consistent with the approach already taken elsewhere in VAT law. Without such a threshold, minor variances in tenure mix would

trigger a disproportionate compliance burden relative to the sums involved, for no meaningful gain in Exchequer protection.

60. We would also raise, more briefly, the position where a developer or registered provider becomes insolvent before a scheme reaches practical completion: in our view, insolvency should not of itself be treated as a change of use giving rise to an adjustment, provided the scheme ultimately continues to be delivered for the certified social housing use.
61. Finally, we would repeat the point made at Q15: certification should operate at the level of the site, or the qualifying part of it, and should not require a separate certificate for each plot. This does not mean the underlying apportionment must be calculated only at plot level: where a single building contains units of mixed tenure – as is increasingly common in blocks of flats combining social rent, shared ownership and market-sale units – the apportionment method described above should apply at the unit or floor-area level within that building, using the same approach we recommend for apportioning across a site. The certificate itself, however, can and should remain a single document covering the whole qualifying development, incorporating whatever unit-level detail the apportionment requires, rather than triggering multiple certificates as tenure mix becomes more granular. This is particularly important on mixed-tenure sites, where plot-by-plot certification would reintroduce, in relation to social housing content rather than construction progress, much of the administrative burden the relief is intended to remove.

Question 17: What additional support or guidance would help your organisation navigate the new VAT relief?

62. We would recommend the following, each aimed at helping HMRC explain and support the design choices recommended above, rather than raising new points of substance.
63. First, worked examples covering the situations most likely to arise in practice, particularly mixed-tenure sites apportioned under the method discussed at Q16, and the position where a developer acquires land subject to a section 106 obligation before transferring the affordable element to a registered provider, as discussed at Q11.
64. Second, confirmation of which affordable tenures fall within the qualifying use of the relief, particularly where a registered provider delivers products – such as rent-to-buy – that may not sit clearly within the 2008 Act's definition of social housing, as discussed at Q7.
65. Third, a standard form of certificate, published by HMRC, for registered providers to use when certifying land under the new relief. A single agreed template, in the same way that HMRC already prescribes or supports standardised certification processes elsewhere in the VAT system, would reduce transactional friction and the risk of disputes over adequacy of evidence.
66. Fourth, clear guidance on how the new relief interacts with existing provisions, in particular the option-to-tax disapplication at para 10, Sch 10 10 and the construction zero rate at 'golden brick', so that parties can be confident how the new relief interacts with existing VAT provisions and can identify the correct VAT treatment at each stage of a scheme.
67. Fifth, given that housing regulation is devolved, confirmation of how the relief applies to the equivalent regulated bodies in Scotland, Wales and Northern Ireland, ideally through a single consolidated statement that cross-refers to the existing VAT definition already used elsewhere in the legislation.
68. Finally, HMRC should provide guidance on how any adjustment or true-up mechanism operates where the eventual tenure mix differs from that anticipated when the certificate was issued, consistent with our answers at Q13 and Q16.

Question 18: Are there any other changes that you think should be included to make the new relief easier for you to implement?

69. We raise five further points, each concerning a specific interaction the government should confirm as part of the relief's final design.

70. First, on the scope of "bare land." Mixed-tenure and other schemes are frequently delivered on land that would not be regarded as bare land – for example, land requiring demolition of existing structures. The existing option-to-tax disapplication rules are not confined to bare land: para 10(1), Sch 10, VATA 1994 applies where the association certifies that the land is to be used "(after any necessary demolition work)" for the construction of a building or buildings intended for use as a dwelling or number of dwellings. We recommend that the new relief adopt the same formulation, which is established drafting that can be reused directly. A narrower definition would create an inconsistency between the two regimes on the same site and risk excluding a material proportion of qualifying development.
71. Second, on commencement and transitional arrangements. We would encourage the government to set out clearly how the relief applies to schemes already in progress at the point of introduction – including conditional contracts exchanged but not completed, options over land not yet exercised, and sites where construction has already begun toward golden brick under the current rules – so that parties part-way through a scheme are not left uncertain which regime governs their transaction.
72. Third, on the interaction with the option to tax. As a matter of ordinary VAT principles, an option to tax operates on an otherwise exempt supply and has no effect where a supply is already zero-rated. We would welcome guidance confirming how the new relief interacts with the option to tax and the existing disapplication provisions in practice, including whether a separate disapplication certificate remains necessary where the new relief applies, and how the position is intended to operate for transactions that fall only partly within the new relief's scope.
73. Fourth, on the interaction with land transaction taxes. Under the current golden-brick model, delivery commonly involves two land transactions – from landowner to developer, and from developer to registered provider at 'golden brick' – each potentially attracting its own SDLT charge. A relief that allowed a registered provider to acquire land directly could remove an entire transaction, and its associated SDLT charge, from the chain, rather than merely adjusting the VAT-inclusive consideration on a single transaction. We note that registered providers, and in some cases local authorities, can already benefit from SDLT relief in some circumstances, so the extent of any saving will depend on the delivery model in question; we raise this merely as a cross-tax interaction the government should consider.
74. Fifth, on the allocation of risk arising from any future change to the relief. Under current 'golden brick' arrangements, land contracts commonly address who bears the VAT risk if the law, or HMRC's interpretation of it, changes between exchange and completion – whether through VAT-inclusive pricing, an indemnity, or a right to renegotiate. The consultation does not address the equivalent question for the new relief. Given that qualifying land will frequently be acquired under conditional contracts, or under options exercised long after the terms are agreed, we would encourage the government to be explicit about how the relief applies where the legislation changes after contracts are exchanged, so that parties are not left to price an unquantifiable risk into the consideration.
75. We note that the existing para 10, Sch 10 certification regime already contains rules governing the timing of certification, requiring the certificate to be provided before the consideration for the grant is legally fixed. This provides a useful starting point for the design of the new relief. However, the government should consider carefully whether an equivalent timing test is appropriate for long-dated options, conditional contracts and phased developments, where the intended tenure mix may be significantly less certain at the point commercial terms are agreed than at the point the land transaction ultimately completes.

APPENDIX 1

ICAEW TAX FACULTY'S TEN TENETS FOR A BETTER TAX SYSTEM

The tax system should be:

1. **Statutory.** Tax legislation should be enacted by statute and subject to proper democratic scrutiny by Parliament. A clear statutory basis ensures legitimacy, accountability, and public trust in the tax system.
2. **Certain.** As far as possible, the application of tax rules and compliance processes should be certain. Taxpayers should not normally need to resort to the courts to understand how the rules apply to their affairs.
3. **Simple.** The tax system should be easy to understand for all taxpayers and advisers. Complexity undermines trust, creates unfairness, and discourages compliance.
4. **Easy to administer.** Tax liabilities should be straightforward to administer for HMRC, agents, and all taxpayers. Taxes should be designed to work effectively in a digital environment, while administration must remain accessible to those with limited digital capability.
5. **Properly targeted.** Anti-avoidance rules and other targeted measures should be proportionate, clearly defined, and carefully scoped to achieve their policy objective without undermining simplicity or certainty. Poorly targeted measures add complexity and uncertainty, harming compliance.
6. **Stable.** Changes to the tax system should only be made when clearly justified by economic, social, or environmental goals. Transparent, purposeful reforms build confidence and move the system toward greater coherence and long-term stability.
7. **Subject to proper consultation.** Other than in exceptional circumstances, tax changes should be subject to open and meaningful consultation. Adequate time for stakeholder input improves policy quality, practicality, and public trust.
8. **Regularly reviewed.** Tax rules, reliefs, and policy-driven interventions should be subject to regular, transparent review to assess whether they remain relevant, effective, and aligned with current policy goals. Outdated or unjustified provisions should be reformed or repealed to maintain coherence.
9. **Fair and accessible.** The tax system should be fair and accessible in design and in operation, ensuring equitable treatment of taxpayers. Revenue authorities must exercise their powers proportionately, and all taxpayers should have timely access to HMRC assistance, independent appeal, and redress.
10. **Efficient.** The tax system should raise revenue in a way that minimises unnecessary distortions, compliance burdens, and resource misallocation. While all taxes affect behaviour to some degree, tax design should avoid cliff edges, unintended incentives, or inefficiencies that reduce economic wellbeing unless these serve a clearly defined policy aim.

For more information, please see [Ten Tenets for a Better Tax System | ICAEW](#)