

Consultation announced on expanding the zero-rate of VAT to the sale of land for social housing

In the budget, the Government announced a welcome consultation on extending the zero-rating for land sales to social housing providers which will significantly ease the process in developing social housing.

A boost to social housing development

The government has committed to delivering 1.5 million new homes over the course of the current parliament, with social and affordable housing being an important element of this target. Whilst HMRC announced the new £39bn Social and Affordable Homes Programme back in July, progress remains hindered by the current VAT rules which significantly delay the delivery of new social housing and in certain cases have made developments unviable.

Under the existing VAT rules, land can only be zero-rated once construction reaches “golden brick” (typically regarded as once first bricks above foundation level have been laid). However, as part of the Autumn Budget, the government announced a consultation to fast track the point at which zero-rating can be accessed by extending the zero-rating reliefs for new dwellings to the sale of land to housing associations where the land is intended for social housing.

This change has been long campaigned for within the sector and is a positive step in helping to unlock social housing development.

What would this change mean?

A change to the legislation, accelerating the point at which the zero-rating is able to be accessed on the supply of housing to registered providers will:

- simplify the delivery model, avoiding the need for developers and registered providers to enter into complex legal arrangements or negotiations relating to Golden Brick;
- remove the uncertainty concerning how golden brick rules should be applied in certain situations such as where modern methods of construction are used for the construction of social housing;
- accelerate the point at which registered providers can access funding; and
- allow developers to unlock capital in land earlier and aid cash-flow.

Ultimately, these changes will result in the faster and more cost-effective delivery of much needed new social and affordable housing for those in need.

Next steps

The consultation is expected to be held in early 2026 and we would welcome a conversation with you to discuss how the change could impact your organisation, how you would like this change to be implemented and any practical suggestions you feel should be taken into account.

If you are interested in discussing this potential change, please contact:

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