EXPLANATORY MEMORANDUM TO

THE VALUE ADDED TAX (CARAVANS) ORDER 2024

2024 No. 910

1. Introduction

1.1 This Explanatory Memorandum has been prepared by His Majesty's Revenue and Customs (HMRC) on behalf of His Majesty's Treasury and is laid before the House of Commons by Command of His Majesty.

2. Declaration

2.1 James Murray MP, the Exchequer Secretary to the Treasury, confirms that this Explanatory Memorandum meets the required standard.

2.2 Ian Broadhurst, Deputy Director for VAT Reliefs, Financial Services and International VAT, Indirect Tax Directorate at HMRC confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Alistair Niven at HMRC Telephone: 03000 510215 or email: alistair.niven@hmrc.gov.uk or Irene Frost at HMRC Telephone number 03000 585848 or email: irene.frost@hmrc.gov.uk can be contacted with any queries regarding the instrument.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 This instrument will allow supplies of caravans manufactured to meet the requirements of the 2023 version of British Standard 3632 to benefit from the zero rate of VAT in the same way as caravans that meet the requirements of previous versions of British Standard 3632. It removes the references to specific versions of the standard so that the zero rate will apply to caravans that meet any version of BS3632 published by the British Standards Institution ("BSI") which takes effect on or after 17 June 2005. It will also apply the zero rate to caravans which are manufactured to meet any new version of that standard which the BSI issues in the future.

Where does the legislation extend to, and apply?

4.2 The extent of this instrument (that is, the jurisdictions which the instrument forms part of the law of) is the whole of the United Kingdom.

4.3 The territorial application of this instrument (that is, where the instrument produces a practical effect) is the whole of the United Kingdom.

5. Policy Context

What is being done and why?

5.1 Residential caravans are zero rated, so as to apply a similar VAT treatment to different types of living accommodation. For the zero rate to apply, caravans must

meet the relevant size criteria and be manufactured to British Standard 3632, so that they are suitable for year-round occupation. The instrument applies the zero rate of VAT to supplies of caravans manufactured to all versions of the standard published by the BSI coming into effect on or after 17 June 2005. This includes BS3632:2023 which was published in September 2023. It also applies the zero rate to supplies of caravans which are manufactured to meet any new version of BS3632 which may be issued by the BSI in the future.

What was the previous policy, how is this different?

5.2 The requirement to meet BS3632 as a condition of zero rating was added to the Value Added Tax Act 1994 (VATA) with effect from 6 April 2013 to ensure that only caravans that are suitable for permanent residential use can qualify. The 2005 version of BS3632 was in place at that time, and the law was updated when the standard was updated in 2015, to zero rate caravans which meet the 2015 version of the standard.

5.3 The policy was, and remains, to zero rate supplies of residential caravans meeting the size requirements which comply with any of the versions of BS3632 identified in the legislation, beginning with the 2005 version.

6. Legislative and Legal Context

How has the law changed?

6.1 This instrument is made under section 30(4) of VATA. It amends Item 1(a) of Group 9 of Schedule 8 to VATA so that a supply of a caravan is subject to the zero rate if the caravan is manufactured to any version of BS3632 which came into effect on or after 17 June 2005. This includes the new, 2023 version of the British Standard which applies to such caravans, and any version of the same standard which may be issued in the future. It makes a consequential amendment to item 1(b) of Group 9, to preserve the zero rate for second hand caravans meeting a version of the standard taking effect before 17 June 2005 and occupied before 6 April 2013.

Why was this approach taken to change the law?

6.2 Amending Schedule 8 to VATA is the only way to extend the existing zero rate to caravans which meet BS3632:2023 and future versions of BS 3632. The power in section 30(4) VATA allows such amendment to be made by Statutory Instrument.

7. Consultation

Summary of consultation outcome and methodology

7.1 No consultation is planned as the effect of this instrument is to maintain the current VAT treatment for residential caravans.

8. Applicable Guidance

8.1 VAT Notice 701/20 will be updated in due course and can be found at GOV.UK[1]

[1] Caravans and houseboats (VAT Notice 701/20): https://www.gov.uk/guidance/vat-treatment-of-caravans-and-houseboats-notice-70120

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A Tax Information and Impact Note covering this instrument will be published on the GOV.UK website[2]

Impact on business, charities and voluntary bodies

9.2 There is no, or no significant, impact on business, charities or voluntary bodies because the measure maintains an existing VAT zero rate.

9.3 The legislation does not impact small or micro businesses.

9.4 There is no, or no significant, impact on the public sector because the legislation maintains the current position relating to VAT relief for residential caravans.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 This legislation will be kept under review through communication with external stakeholders and businesses.

10.2 The instrument does not include a statutory review clause because it relates to tax and meets the requirements of the exemption in section 28(3)(a) of the Small Business, Enterprise and Employment Act 2015.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

12.1 The Exchequer Secretary to the Treasury has made the following statement regarding Human Rights:

"In my view the provisions of the Value Added Tax (Caravans) Order 2024 are compatible with the Convention rights."

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").

[2] Tax Information and Impact Note: https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins