

**VAT Changes on the provision of self storage
- Second Opinion by Brent Goodwin, Senior VAT Manager at Newby Castleman**

The cost of self storage and the provision of storage facilities have been on the rise due to changes in the VAT rules.

The Government's decision to introduce standard rate VAT on the provision of self-storage facilities was initially seen as being aimed at balancing out perceived advantages gained by larger providers in the industry. However, the new rules also mean that, in certain circumstances, they override the existing VAT exemption which some landlords have relied upon meaning that VAT must be charged on the provision of storage facilities irrespective of whether an option to tax has been made. This change was effective from 1 October 2012 so some landlords may have already accumulated a sizable VAT liability without realising it.

Many local landlords leasing throughout the region could now be at risk of being caught out if they do not review these new rules and apply them to their circumstances. HMRC guidance published towards the end of last year has also reminded landlords that it is up to them, as the supplier, to get the VAT liability right.

From the small landlord who lets out a single storage unit to the large providers of warehouses and storage facilities, these new rules could affect far more than was initially envisaged by HMRC when the regulations were being drawn up. Although there are exceptions, as outlined in the HMRC guidance, the new rules mean that many landlords should now reassess the use of their leased properties and ensure that VAT is applied where required.

In short, this small change to the legislation aimed at a specific trade (self-storage) has had repercussions on all providers of storage facilities. Landlords will have to reassess their property's use, set aside time for more administration and in some cases pay out VAT that has not previously been accounted for. HMRC even suggest in their Information Sheet 10/13 that landlords should consider inserting clauses in their leases specifying that a customer must advise them if they start or stop using the facility for storage and include provisions as to the VAT consequences if they fail to do so.

The knock-on effect of this additional compliance can only mean greater costs on the part of the landlord. In some cases these may be passed on to the tenant, in others the terms of the lease may prohibit it. In the worst case scenario the lease may actually prohibit the charging of VAT itself leaving the landlord facing a big hit on their rental yields in what are already difficult times.

So, will we end up with a stalemate with landlords and tenants arguing whose responsibility the VAT is or will this small change make the industry a fairer and leveller playing field? Only time will tell, yet one thing is very clear- landlords should assess and monitor their VAT position when it comes to providing storage facilities because HMRC will be and, to date, they have given no indication that they will be applying a "light touch" to any errors they find!

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