



HOUSE OF COMMONS

LONDON SW1A 0AA

The Rt Hon Mel Stride MP
Financial Secretary to the Treasury
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Our Ref: HM/FM/117065

27 February 2019

Dear Mel,

Re: VAT on property service charges for retirement properties

We have previously exchanged correspondence on the issue of VAT applied to property service charges and I am grateful for your reply, copy attached for ease of reference.

My reason for writing to you on this subject again is to question the policy of applying VAT to property service labour charges on retirement home developments.

I believe that my constituents who have chosen to live in serviced retirement properties have done so for the following reasons:

- They have considered their future care needs at an early stage and made adjustments to their living accommodation to ensure that they are living in a property that can support them should their care needs increase.
- They can maintain their independence for longer.
- They are less likely to suffer from isolation, falls and incapacity as these developments cater for mobility issues, provide social space and on-call support for medical emergencies.

Their choice of supported housing is self-funded and ensures that they are less likely to become a burden on the local social care system.

As I am sure you are aware, many of these residents are pensioners on fixed incomes. However, they are seeing their living costs rising year on year with increases in council tax (in the main to support the local social care bills), food inflation and utility bill rises.

In addition they pay service charges and ground rent for their properties which also rise year on year. At one retirement property in my constituency, the recent application of VAT on their service charges will increase their annual costs by at least £764 for a one-bedroomed property and £1041 for a two-bedroomed property. Their pension incomes will clearly not increase to meet all these additional costs and some of my constituents now feel that they need to sell their retirement properties as they can no longer afford to pay their bills. This is of great concern to me as many of these people will find themselves in need of social housing which is in very short supply.

You will no doubt be aware of the need for leasehold reform for managed property developments which I am pleased the government is addressing. However, in my constituency, I currently have a number of elderly constituents who feel powerless against large property management companies who continually change and increase the charges applied from purchase to exit and fail to properly maintain the properties. I am supporting them in their dealings with these management companies.

One final point I should like to make is that retirement properties, rather like park homes, do not increase in value in line with the rest of the property market. These homes are not considered investments and the services provided by the management companies and their on-site staff are not luxuries along the lines provided by new city developments which offer gyms, swimming pools, restaurants and bars. The services at retirement properties are simply to help residents with their everyday living and social needs and the maintenance of the properties.

For the above reasons, I would like to request that the government considers exempting managed retirement properties from the VAT charges which are applied across the entire sector. I believe that such an exemption would officially recognise the responsible choices that people make when they decide to move to managed retirement accommodation and the additional costs they have to pay.

I look forward to hearing from you.

Yours ever,

A handwritten signature in black ink, appearing to be 'Howard', written over a horizontal line.