

**VAT LOWERED.
BUT BEWARE WHEN RENOVATING YOUR HOME.**



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Foto: [Harry Heuts](#)

Dear reader,

My [first article](#) for United World College had as subject the raising of the VAT tariff from 19% to 21%. So it seems fitting that I now tell you about the lowering of the VAT tariff.

VAT Tariff lowered to 6% when renovating your home

Recently the Dutch government [decided](#) to lower the tariff for the VAT to 6%. This is good news, but there are some points I would like to adress. And I will do so hereafter in a pragmatic style using bullit points.

- The lower VAT tariff only applies to the hours billed to you by the builders. On the materials used by the builders you still have to pay 21% VAT. The government published a list giving a set differentiation between the costs of material and labor used for specified projects.

E.g. replacing the heating in your home means that a quarter of the costs can be attributed to labor and the rest are costs for materials used. So only on 25% of the total costs you will be charged 6% VAT. On the rest you still pay 21%.

Deviations are possible but your builder has to document everything he or she

does.

- The lower VAT tariff of 6% on labor costs only applies if the house is over two years old.
This seems logical since otherwise you start renovating a newly built home, but it seems wise to mention it.
- The lower tariff applies to all work done between March 1st 2013 and February 28th 2014.

But here is an interesting thing. If the work started before March 1st 2013 but ended on or after this date, the lower VAT tariff also applies.

If you decide to renovate at the end of 2013 or the start of 2014 **beware:** when the job is finished on or after March 1st 2014, the lower tariff cannot be used. You have to pay 21% on all the labor costs even on the work the builders did before that date !

So make sure that in your contract with the builder is a penalty clause to make him or her finish on time. Otherwise you will be the one left holding the bucket !

- The work undertaken by your builder must be to renovate or restore a home. If you decide to have the builder erect a new home that did not exist before, you have to pay 21% on all labor costs.

So if for example you decide to take in your aging parents and contract with a builder to either build a new home for them on your property or rebuild your garage into a (completely separate) home, **beware:** you pay 21% on all labor costs.

If you want to extend your home by putting the kitchen in your garage, then the lower VAT tariff also does not apply.

I hope to have given you some insight in the new rules concerning the lower VAT on labor costs.

Feel free to contact me if you have any questions.

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