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# ***Self-Build and Renovation*** **FOR DUMMIES®**



**Nicholas Walliman**

*Architect and self-build expert*

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**by Nicholas Walliman**



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**Nicholas Walliman** is an architect and Senior Lecturer in the Department of Architecture at Oxford Brookes University. He practised for many years as an architect in the UK and in Switzerland, before building a house for his young family, doing virtually all the building work himself. His interest in self-build led him back to academia, where he wrote his doctoral thesis on Group Self Build in the UK. He continued working in architectural education and research, as well as doing small scale building developments – some of them self-build. Apart from this book, he has written several text books on subjects to do with research methods and academic writing.

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# Introduction

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**L**iving and working in harmonious surroundings that fully support your way of life is easier and more pleasant than living in surroundings that constantly get in the way.

By spending some time and effort, you can create the ideal conditions to live in. Reading this book is the first step towards improving your existing accommodation or creating a custom-built home that fulfils your needs and desires. This book is an easy-to-understand guide that explains all aspects of home renovation, extension, and new build through the self-build process.

The German writer Schiller once wrote, ‘There are three things a man (or woman) should do in life – create a son, write a book, and build a house’. Well, this book is about how to do the third of these things. It will answer all your questions and provide the information you need for the success of your project. You need to look elsewhere to find out how to do the others!

## *About This Book*

A house is a surprisingly complicated object, comprising thousands of components resulting from hundreds of jobs, based on just as many decisions by as many people. I don’t attempt in this book to describe every component, job, or decision, but I do give you an overview of the steps you need to take to achieve a successfully completed project. I also explain the major decisions you need to make and give you an indication of the sort of information you need so your decisions are well-informed.

The book is divided into sections and chapters that largely follow the sequence of a self-build project. I also include useful references to a wealth of additional information to help you get to grips with the nitty-gritty of every part of the process.

## *Conventions Used in This Book*

The following conventions are used throughout the text to make everything consistent and easy to understand:

- ✓ `Monofont` is used for Web addresses.
- ✓ New terms appear in *italic*.
- ✓ **Bold** text indicates keywords in bulleted lists or highlights the action parts of numbered steps.

## *What You Don't Have to Read*

This book isn't a novel with a distinct beginning, middle, and end. This means you can use it as a reference book to fill in the gaps in your knowledge and understanding of self-build housing and renovation, as and when you like.

Don't get stuck into the details if you're not interested in them, they are irrelevant to you, or you have no time to spend on them. You can browse through this book easily by skipping from chapter to chapter and heading to heading, and only reading the sections that you need at that moment.

If you want, you can skip over the sidebars (the shaded boxes) as these have been added only to provide examples or anecdotes connected to the text. The same can be said for text under the Technical Stuff icon, which is added to elaborate on certain issues.

You can also ignore the opinions I express every now and again – I'm sure that you have your own opinions that are just as strongly held. Self-build housing is an emotive subject, and rightly so, because building your own home is one of the most powerful expressions you can make about your personality and views on living. (That's just my opinion, of course!)

## *Foolish Assumptions*

When writing this book, I made all sorts of assumptions about you, the reader. These assumptions helped me to devise how best to explain and describe the various aspects of the self-build process, as if I was explaining to you in person. Here are some of my assumptions

- ✓ You feel some dissatisfaction with your current living accommodation and want to live in a home that better fits your requirements and taste.
- ✓ You fancy taking an active role in changing your surroundings for the better.
- ✓ You're fascinated by home improvement and self-build television programmes, and get stuck in the house design section of bookstores.

- ✔ You get a thrill when you visit a DIY store, and your imagination is fired by all the wares on offer – tools, boards, fittings, and equipment.
- ✔ You need a good guide to show what's involved and what choices you have when embarking on a self-build project.
- ✔ You like to organise people to do things, or you enjoy rolling up your sleeves and getting stuck into practical tasks.
- ✔ You're interested in making the best use of your financial resources to gain a good investment, as well as enjoying the results in a tangible form (not just figures in a bank balance).
- ✔ You are pretty resilient, don't shrink from a challenge, and are willing to make the effort necessary to acquire new skills and knowledge.

## *How This Book Is Organised*

This book is divided into six parts. You can choose where to begin! The following sections explain what is where.

### *Part I: Preparing to Create the Perfect Home*

In this part, I explain how you can get started on the process and what decisions you need to face as you prepare the ground for the construction of your new home. Just as you need firm foundations for a sound house, you also require meticulous preparation to undertake your project. An understanding of the process, a suitable site, and sufficient funds set you up for your great adventure.

### *Part II: Before The Build: Getting Everything Into Place*

In this part, I look at the different issues you need to consider in preparation for the work on site. The most important points are getting the house or renovation/conversion designed, obtaining the permissions to allow you to build, hiring someone to do the building for you, buying the materials, and how to connect to the vital services of power and drainage. Once these items are in place, you're ready to get started and begin watching the results of all those months of deliberation and decisions.

## ***Part III: Structurally Speaking: Understanding Construction***

This part describes what happens in the first stage of the construction process, when all the paperwork preparation is converted into the three-dimensional object you have been thinking about. I explain the decisions that you need to make to achieve the watertight shell of the house and to finish its surroundings.

## ***Part IV: The Inside Story***

In this part, I consider all the practical decisions you need to make to fit out and finish your house with an individual look that reflects your personality and how you want to live.

## ***Part V: Renovating, Extending, and Converting***

This part looks specifically at the issues involved in renovating, converting, or extending existing properties. I discuss the specific factors to consider when deciding what's needed and whether the project is worth doing. The fact that you have an existing construction means that you need to take this very much into account when designing your project. How to do this well, and capitalise wisely on the existing structure, is quite an art, and so I include some indications of what's involved.

## ***Part VI: The Part of Tens***

As with all other *For Dummies* books, this part provides a useful set of lists of ten essential issues on different aspects of the subject. This chapter is great for checking out the major motivations for self-build and the principle things to know so you can make sensible decisions about undertaking a self-build project.

## ***Appendix***

This part contains a selection of sources with further information about the different aspects of self-build and renovation.

## Icons Used in This Book



To liven up the text and draw your attention to particularly interesting and important aspects, I've used several familiar *For Dummies* icons.

This icon contains good advice to help you save time, money, and frustration when you're self-building.



The information beside this icon jogs your memory or tells you about something worth remembering for later. The icon also provides a quick way of pin-pointing good bits of advice.



Watch out for this icon, as it reveals how to avoid problems that have cost others dearly.



This icon identifies additional information that may be useful when you get into the nitty-gritty of the self-build process. This information is not essential to get an understanding of the topic being discussed, so feel free to skip if you want.

## Where to Go from Here

You don't have to read this book from beginning to end. You can start wherever you like and pick out the bits that interest you, in any order. Use the table of contents at the beginning, and the index at the end, as your guides to find what you want.

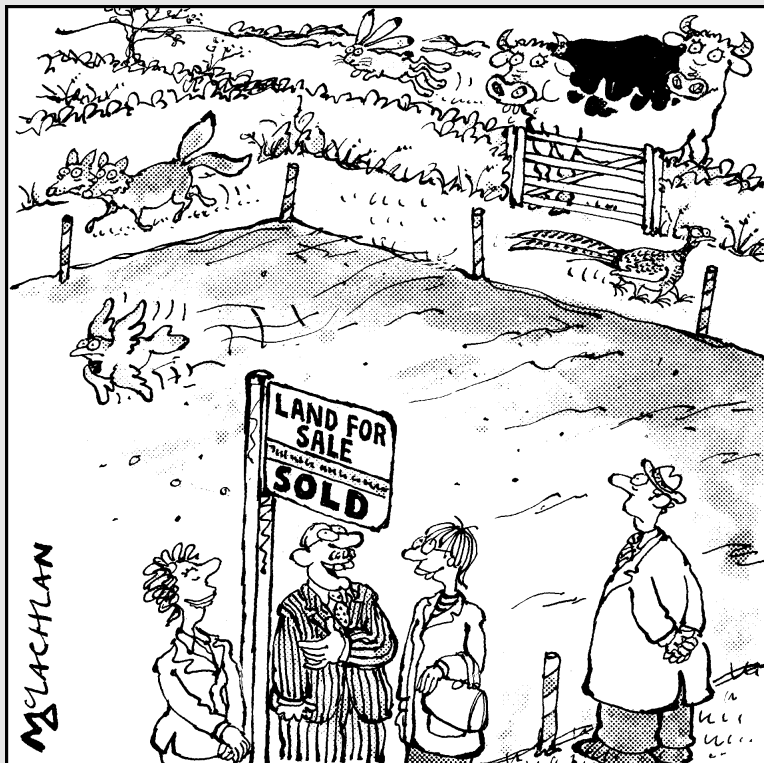
Go to any of the topics in the book that interest you and browse through these, seeking out the bits relevant to you. When you want to know even more about a topic, go to the Appendix where you can find further sources of information.

You can use this book as a tool to enable you to take the next step in your project, whatever that step may be. Even if you're only dreaming about self-build, this book contains a wealth of information for you. After all, if you can be an armchair traveller, you can certainly be an armchair self-builder.



# Part I

## Preparing to Create the Perfect Home



'The land once belonged to a secret  
Government science establishment but was  
declared safe by the  
Health & Safety inspectors.'



## *In this part . . .*

**E**ver since cavemen times, creating a home has been a basic activity of life. Although cave conversions are a thing of the past, homeowners can still take on the responsibility for designing their own homes. By self-building and renovating, you can break the mould and take the initiative back from the developers.

In this part, I explain how you can start the self-build process and the decisions you'll face as you prepare the ground for construction. Just as you need firm foundations for a sound house, you require meticulous preparation to undertake your project. An understanding of the process, a suitable site, and a sufficiency of funds set you up for your great adventure.

# Chapter 1

## The Basics of Self-Build

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### *In This Chapter*

- ▶ Figuring out what self-build and renovation is all about
  - ▶ Becoming organised
  - ▶ Delving into money matters
  - ▶ Getting things built
- 

**M**oving to a new home is an extremely stressful event – more so than separation or divorce. Why, then, make this event even more painful by prolonging it a year or more while you endure the process of designing and building your new home? Well, although self-build and renovating can undoubtedly be a stressful business, the benefits can easily outweigh the disadvantages if you get the process right. Getting it wrong, however, may precipitate another stressful event – divorce, and possibly poverty, too!

If you self-build the right way, you benefit from a home that is tailored to your needs, reflecting your lifestyle and aspirations. About 20,000 people manage to self-build every year, so why not you? In this chapter, I let you in on the basics of self-build so that you can start off on the right foot.

### *Seizing the Opportunities and Avoiding the Pitfalls*

Embarking on a project to build yourself a new home definitely requires a good measure of vision and imagination – the timid and the foolhardy need not apply! You also need preparation and awareness so you're ready to make decisions when the opportunities arise.

Although things have been different in the past, the self-build project is now generally an individual undertaking, so you're going to be the one taking the initiatives. However, you can call on a network of people and organisations for advice and help, so 'self-build housing' is perhaps a misnomer – 'self promote housing' is a term sometimes used instead.

As with any undertaking, self-build inevitably has inherent opportunities and pitfalls.

## *Opportunities*

Self-build housing isn't just a simple matter of getting a house constructed for you. The self-build process takes you out of the standard commercially driven new housing supply system, provided by speculative house building companies, and so you're faced with an overwhelming number of ways to provide yourself with a new home. The choices are yours to make and the opportunities are yours to take. You can see self-build as a meaningful and complex life experience – creative, educational, life-enhancing, character-forming, resulting in a better way of life, and providing a good investment.

Below is a list of the major opportunities you can grasp:

- ✓ **Getting what you really want:** You decide on how you want to live and on your immediate surroundings; and you can fight to realise those visions.
- ✓ **Doing things your way:** No one dictates to you how to achieve your goal – you decide. Take whichever route to completion suits your way of life and capabilities.
- ✓ **Making money:** Reward yourself by putting the developer's profit into your own pocket – tax-free.
- ✓ **Making the most of information:** You can find out about every aspect of self-build through modern information systems. Accessing useful information has never been easier, liberating you from the dominance of 'experts' and 'professionals'. Information is power!
- ✓ **Discovering new skills:** Take the opportunity to do things you've never tried before, both practical and theoretical. You may discover talents you never knew you had, and find out what you're not so good at.

## *Pitfalls*

Self-build isn't without its dangers. The process is complicated and involves lots of people and organisations. A wide range of activities needs to be well managed if you want a successful conclusion.

Here are some of the major pitfalls to guard against:

- ✓ **Being overambitious:** Although this may be the opportunity of a life-time, limits still exist on what is practical. Your dreams have to be adapted to the real-life situation.
- ✓ **Overspending:** Inevitably you're going to spend, spend, spend, but remember that your resources are finite. Avoid being seduced by all the wonderful products and materials on offer.
- ✓ **Disrupting your family life:** You will have to spend a lot of time making decisions and sorting out problems and dealing with big sums of money. This can seriously distract you from normal family commitments, and the situation can be made worse if you are in improvised accommodation during the build.
- ✓ **Refusing to take advice:** You can't be an expert on every aspect of designing and building a house. Don't ignore the advice of others that is based on years of experience. Avoid finding out the hard way.
- ✓ **Being inflexible:** You're bound to encounter many twists and turns during the project. If you react to new circumstances with an open mind, you're more likely to achieve the best solutions to problems.
- ✓ **Being too trusting:** Everyone is subject to financial and other pressures, so make sure you don't carry the can for others. Prepare clear instructions and get contracts in writing to avoid being exploited.
- ✓ **Being disorganised and taking too long:** With so many jobs to do and so many people involved, lack of organisation can cause expensive mud- dles that waste valuable time. As the saying goes, 'time is money'.
- ✓ **Thinking you can do everything yourself:** Perhaps this is possible, but how long is it going to take and can you expect high quality to be the result? A good dose of self-knowledge helps you to avoid overstretching yourself.

## *Renovating or Converting Instead of Starting from Scratch*

The self-build process can be equally well applied to renovation and conversion projects. In many ways, starting with an existing building simplifies what you have to do. Because you've something concrete (perhaps even literally so) to work on, you don't need to conjure up your building out of thin air.

The existing housing stock is enormous and ageing, which means that the opportunities for renovation are far more abundant than for new build. Therefore, you've loads more choice in selecting your project. After all, any dwelling can be revamped to match your tastes and requirements. Although you need to adapt your ideas to fit the constraints of the existing structure, amazing changes can be made to completely transform a run-down, drab house into a sparkling, good-as-new home.



Buildings of all kinds become redundant long before they are ready to fall down. With a bit (or perhaps a lot) of imagination and investment, almost any building can be converted into living accommodation – water tanks, warehouses, stables, shops, offices, and so on. Just look in magazines and books to see what can be done.



Watch out for the high costs, many of them unsuspected, of renovation and conversion jobs. Even if you have plenty of money, don't spend too much on a development that will end up being worth less than you spent getting it done (see Chapters 2, 20 and 22).

## *Preparing and Organising: The Keys to a Successful Project*

If all it needed to create your ideal home was a wave of a magic wand, that would be great. Unfortunately, of course, the process is more convoluted and takes rather longer. In fact, the finished product is the result of months, if not years, of preparation and planning, and months of careful organisation and management. When you consider the complicated financial, legal, and regulatory context of getting perhaps a hundred people to get thousands of components together in the right places at the right time, you can understand why this takes time and good management to sort out.



The self-build process can be stressful. If you're doing a project of this size and complexity for the first time, you may be surprised at the number of judgments you need to make, decisions you have to take, frustrations you need to bear, and how long it all takes. You're going to endure uncertainty and risks, waiting for decisions from others, disruption to your family life, as well as many other hardships. Make sure that you have the agreement and support of all the family members who are going to be affected, and ensure that they share your vision of a future home designed to give everyone a better life. (For more of the downsides, see the section 'Pitfalls' earlier in this chapter.)

Despite everything that's needed, self-build has been done successfully thousands, if not millions, of times, so don't fret. You can do it too – just take one step at a time. The prospect may be daunting, but many established routes are available with lots of support you can call on. If you think clearly, and get yourself well-informed and well organised, you can use the established procedures to your advantage and push towards the desired result.

This book gives you insight into what is involved in a self-build project, as well as explaining your options and how to make decisions suitable to your particular situation.

## *Financing your dream home*

Before you even start to think about what you want to build and where you want to build it, sort out how much you can afford to spend on the project. This amount depends on your savings, assets, income, and how much you can borrow. Some investigation may be needed, particularly into the borrowing part, but after you fix your maximum budget, you can start to evaluate sites and development opportunities realistically, rather than building castles in the air.

Banks and building societies fall over themselves to get your business when you want to buy an existing house, by providing a bewildering choice of mortgages suited to a wide variety of situations. Things are simpler because you're purchasing a completed item, a product off the shelf, which can be surveyed, and valued, and used as a solid asset.

When financing a building project, the approach has to be a bit different. The final cost of the building is only an estimate, as is the eventual value. The asset grows over time as the house is built, but isn't really established until the house is completed and ready for occupation. Therefore, self-build demands a more evolutionary financing system that matches the borrowing to the value at various stages during the development.

The two main cost items are buying the plot and paying for the construction. Lesser cost items include paying for consultants such as architects, surveyors, and so on and getting approvals – all part of the preparations for the building work itself. I consider these items in more detail in Chapter 2.

## *Deciding on style and content*

As your desire for a new home is most likely prompted by the deficiencies of your existing one, you probably have a fairly good idea of what you want in

terms of spaces, facilities, and the type of design style. But don't jump to conclusions too quickly, as they may be based on a limited experience of house design.



Unless you're in the design business or a design junkie, you're probably unaware of all the possibilities offered by modern (and historical) house designs. Spend time to study (yes, closely analyse the floor plans, photographs, and descriptions) examples of new and old houses in magazines and books to widen your knowledge of these possibilities.

The type of house construction (brick and block, timber frame, steel, and so on) depends on your preferences: the availability of skills, the speed of assembly required, the design aesthetics, the context of the surrounding buildings, and the procurement method. See more about how to decide in Chapters 5 and 11–14.

## *Managing the Work Yourself*

One of the main attractions of self-build is the opportunity to get involved in the decision making for the design of your new home. You can also choose to play an active role in the planning and construction process, to the point of taking control of the management of the whole project. You can save yourself lots of money this way – the builder's profit and management fee ends up in your pocket. You do need, however, sufficient understanding of the construction process (you can find out about this) and the time to devote to what is going to be, at times, an almost full-time job.

One of the fascinations of self-build is the term itself – implying that you do the actual building yourself. And you can if you want to, but you definitely don't have to do any physical work if you don't want to – the choice is up to you. If you're keen on DIY, self-building a house is nearly the ultimate DIY project. And self-build can be both very rewarding and profitable, particularly if you don't have to give up a well paid job to do it.



Building jobs are becoming increasingly simple to undertake as techniques are devised to reduce the necessary skills. Intensive craft skills that need years of apprenticeship to master are becoming rare, and unless you're doing a renovation on an historic building, unnecessary.



If you're a novice at building, you may be surprised that so many of the jobs require tiring physical work. Just consider that you are, in fact, going to move the whole house – yes, physically – from one place to another. The materials are delivered and stacked on-site in one place, and you have to carry and move them to their positions in the house, sometimes several metres higher up.

## Chapter 2

# Forking Out the Finances

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### *In This Chapter*

- ▶ Calculating where the money's going to go
  - ▶ Deciding where you can get the money from
  - ▶ Looking after your finances
  - ▶ Working out what you do and don't have to pay
- 

**B**uying a plot and building or renovating a house, may be the biggest financial project in your life. Unless you work in business or finance, and are used to dealing with large amounts of money, no other transaction takes up so much of your assets and borrowing capacity. But you're investing wisely in 'bricks and mortar'; historically one of the best forms of investment, and the result is sure to be a source of enjoyment and satisfaction for years to come.

Financial services are well geared up in the UK to allowing ordinary people to make the extraordinary financial commitment of owning a property. These services have been extended and adapted to cater for those who want to do the development themselves instead of buying a finished property, but the process is inevitably rather more complicated than a simple one-off purchase.

In this chapter, I outline the basic financial aspects of self-build projects so that you can plan and explore what's available on the financial market when you undertake your own project.

### *Working Out How Much You're Going to Need*

The basic trick of self-build, or of any building development for that matter, is to end up with more money (in the form of value) than you spend. This result makes the whole process financially viable and worth your efforts, apart from any other benefits you may gain. The basic principle of self-build finances is to think like a developer – after all, that's what you are – so that the developer's profit margin is all yours.



Remember that you have an edge over large developers in some aspects. You don't have their overheads and can be much more flexible in organising (or doing) the work and buying building materials. The only things you may lack are expertise and bulk buying power – but you can get around these problems.

## *The costs and what they depend on*

How long is a piece of string? Well, that's not very useful, is it? But, of course, costs vary enormously, so giving a definitive statement is impossible. Here are some of the major items that generate costs and what their amounts depend on:

- ✔ **Site or property purchase:** This amount may be anything from nothing (the end of your garden) to hundreds of thousands of pounds. The cheapest plots are to be found in the remoter parts of Scotland, where you can pick one up for as little as £20,000, and parts of South Wales and Northern Ireland. The most expensive plots and properties are predictably in London, the South-East and Home Counties, where you can pay £500,000 or more.
- ✔ **Site clearance and demolitions:** This aspect can be a significant factor in a brownfield site (a site that has been previously for industrial or commercial purposes) or when doing a conversion or replacement dwelling. Steep slopes may also need terracing to prepare for the building.
- ✔ **Financing cost, including application and valuation fees, inspection fees, and interest payments:** This cost depends on how much you borrow and from whom, but you do need to fund at least 10 per cent of the total costs yourself. Interest rates are charged at current rates – comparatively low at the moment. If you use all your own money, this amount can be nil.
- ✔ **Professional fees:** Including hiring an architect, surveyor, and so on. You can also count in here the amount charged for project management, whoever carries it out.
- ✔ **Planning and building regulation fees:** These fees are standard charges, partly dependent on the value of the work.
- ✔ **Insurance and warranty premiums and charges for setting up the mortgage:** These vary considerably between companies, so shop around.
- ✔ **Building materials:** The costs rely greatly on the quality of materials selected, the preparation, and the workmanship required to achieve the required finish. For a budget project, you need consistently to choose standard economy solutions and get the best discounts available. Avoiding waste plays an important factor.

- ✓ **Labour:** These costs depend greatly on how much you do yourself, and how much you commission other people to do. If you are running the project yourself, good management and organisation help to keep costs down.
- ✓ **Your time:** Try to put a cost on this if you can. Time taken away from your normal job can cost you dear.
- ✓ **Setting up costs, hire tools, plant and scaffolding, and delivery charges:** Anything that needs to be hired in to get the job done.
- ✓ **Alternative accommodation costs if you sell your house to fund the project:** Staying with family or living in a mobile home on site are the cheapest options.

Obviously, sufficient room isn't available in this book to provide you with all the detailed prices so that you can work out the costs in your case. Any such list would quickly go out of date anyway. Therefore, see the Appendix for some good guides to costs that are regularly updated. Some give you a quick, rough and ready, guide for initial calculations that you can do in a few minutes, whereas others provide more detailed building price books such as those produced by Spon publishers.

## *The government's cut*

Although both good and bad news exists on the tax front when you come to self-build, on the whole, I think the good news predominates. Self-building a new home is a tax effective way of making (and saving) money. The good news is that the UK is almost unique in Europe in not charging VAT on costs of new house construction or conversions from other uses. The bad news is that renovation works are liable to VAT. Another good aspect of the UK tax system is that profits made on your own main residence are free from Capital Gains Tax.

When managing your self-build project, remember to be aware of the tax implications of all aspects of the financial dealings, and of course keep a full set of records so that you can make the claims you are entitled to.

### *Stamp duty*

Stamp duty is a good money earner for the Treasury, and increasingly so as property prices rise. Property purchases are taxed in relation to the levels of their sale price. The advantage of buying a plot and building your own house is that the plot purchase price is at the low end of the scale and can even be below the bottom threshold of tax.



At the time of writing, purchase prices up to £125,000 are not taxed at all, those between £125,001 and £250,000 are charged at 1 per cent of the price, those between £250,001 and £500,000 are charged at 3 per cent, and anything over £500,000 is charged at a whopping 4 per cent. This amount can add up to serious money!

## ***VAT***

Value-added tax (VAT) is more complicated and depends exactly on the type of work that is done and by whom. The main distinctions are between renovations and extensions, and new builds and conversions. The former are subject to VAT, the latter are not. Exceptions and particular ways of paying and reclaiming the tax are applicable.

### ***Renovations and extensions***

You have to pay VAT at the full going rate (currently 17.5 per cent) for materials and labour, for all renovations and extensions to your property with no possibility of reclaiming anything. The only two exceptions to this rule are as follows:

- ✓ If the property can be proved to have been unoccupied for ten years or more, you can treat it like a conversion (see Conversions).
- ✓ If the property has been empty for at least three years, any VAT-registered builder you pay to work on it only needs to charge VAT at a reduced rate of 5 per cent.

### ***New build***

You can spend, spend, spend without paying VAT on virtually everything when getting your new house built, garage and driveway included. VAT-registered builders, subcontractors, and labour-only subcontractors don't have to add VAT to their bills. Professional services such as those of architects, planning advisors, engineers, and so on aren't exempt, and neither are the charges for hired tools, plant, and scaffolding.

If you are purchasing materials yourself, you need to pay VAT at the full rate when you make the purchases, but make sure that you keep all the VAT receipts because you can claim back the tax you have paid when you get to the end of the project. You have to wait about three months before you get the money, so you need to calculate this 'lending' of perhaps many thousands of pounds over several months to the government into your financial plan. Only one claim is allowed, so you really do have to wait until you get all the paperwork together before you send it in.



Certain items are not considered as an integral part of the house. These include:

- ✓ Fitted carpets
- ✓ Kitchen machines
- ✓ Doorbells and automatic gates
- ✓ Aerials and satellite dishes
- ✓ Detached outbuildings

These items attract the full rate of VAT.

### ***Conversions***

With conversions of buildings from other uses to a dwelling, 5 per cent VAT is charged on any labour and materials supplied by VAT-registered builders and subcontractors. As with new build, if you buy materials you need to pay the full 17.5 per cent. But the good news is that all the tax you pay is reclaimable at the end of the project. So, make sure that you keep up with the paperwork!



If you hire contractors or labour, who are not VAT-registered, you don't have to pay VAT. Check on the status of your chosen contractors and labour to make sure that they don't make spurious VAT claims that end up in their own pocket! Also, get receipts for all materials purchased so that you can claim back the VAT if eligible.

### ***Listed buildings***

Only certain works on listed buildings are exempt from VAT. Contrary to expectations, alteration work is zero-rated and renovation and repairs are charged at the full 17.5 per cent. The tax office can provide you with a detailed list of what falls into which category. If you're doing more than the simplest job, you may have to agree with the tax inspector on how much needs to be paid. The concessions can only be granted through a VAT-registered contractor providing labour and materials. If you buy materials yourself, you can't claim any VAT back.

### ***Capital Gains Tax***

The situation on Capital Gains Tax (CGT) is no different in self-build housing than any other types of housing. Your own Principal Private Residence is exempt from CGT as long as you don't use it for business purposes (apart from working from home). If you have installed a business based workshop or office in part of the property, that part becomes liable for tax. A rather generous size limit to the property exists of half a hectare (about 1¼ acres).



People often think that you have to stay in a house for a certain period to 'prove' that it constitutes your main residence. Not so. As long as you have a good reason for selling and you invest all the proceedings into your next house, no CGT is due even if you've stayed only for few days.

The exemption from CGT even persists when you sell off part of your garden for a building plot (you can use this as a good incentive to persuade someone to sell part of their garden to you).

If you're doing some development with the aim of selling the property on or using it as a second home, and you own the property jointly with your spouse, you can use two sets of tax-free allowance. The relief stands at £8,500 per year at present, but remember, you may have other gains liable to the tax, such as profits on shares sold as well as other assets. The rates of tax are levied at 10, 20, and 40 per cent as your gains, added on top of your normal income, pass the current income tax thresholds. Relief is given to allow for inflation on assets held over a number of years. As usual, the conditions are quite complex, so you may need to get advice to calculate your CGT liabilities.

### ***Council tax***

Council tax is levied on all properties in order to pay for the local council services such as the police force, schools, street lighting, public gardens, facilities and much more. The level of tax on dwellings is gauged on the basis of the property value as assessed by the council surveyor.

## ***Raising the Money***

Borrowing money for a plot and a self-build project is in principle much the same as borrowing money to buy completed property, and the same kind of assessments are made of your financial eligibility (for example, income, credit history, and so on). The only real difference is that you can't usually borrow all the money you need for the finished project at the outset; instead, the money is paid out to you in stages as the work progresses.

This arrangement is fair enough, I suppose, because the lender doesn't have the security for the full sum until the house is completed. On the other hand, you also benefit because you need only to pay interest on the amounts that have been released to you as the work proceeds. But you do need to have some of your own cash available as well, because you can't borrow 100 per cent of the costs and the stage payments are often made only at the end of each stage, during which time you need to fork out for other costs.

About 30 different building societies and banks offer mortgages designed for self-builders. They offer an advance of between 75 and 95 per cent (100 per cent in Northern Ireland) of the cost of the land or development building, and stage payments that are flexible or set, in arrears. You need to discuss and agree with your lender the number of payments and the stages at which they are to be paid, together with the percentage these amounts make of the total