

If you're planning a home extension in 2026, one question that often flies under the radar until the bill arrives is: **does the quote include VAT?** Knowing how VAT affects your overall building costs is crucial, especially when you're comparing quotes or budgeting for your project.

In this guide, we'll break down how VAT adds to extension pricing, especially in the Midlands around Rugby, how it compares to other regions, the cost difference between single-storey and two-storey builds, and touch on important planning considerations like permitted development and conservation areas.

Understanding VAT on Home Extensions

VAT (Value Added Tax) in the UK is typically charged at 20% on building work. But it's vital to confirm if your builder's quote already includes VAT or if it's added on top. For example, a £60,000 build will attract **£12,000 VAT on extension** costs — a significant amount you don't want catching you off guard.

Pro tip: Always ask upfront, **"Does this quote include VAT?"** It's one of the first questions I ask to avoid surprises later.

How VAT Works on Extension Quotes

Quote Amount (excl. VAT)	VAT @ 20%	Total Cost (incl. VAT)
£30,000	£6,000	£36,000
£45,000	£9,000	£54,000
£60,000	£12,000	£72,000
£75,000	£15,000	£90,000

In the table above, you can see how VAT adds a fifth to the invoice. Most residential building work, including typical extension projects, falls into the standard-rated VAT category unless it's a qualifying new build or some restoration work.

2026 Extension Costs and Per-Square-Metre Pricing

The building industry sees some inflation and material costs shifts each year, so it's good to have an up-to-date benchmark.

Typical Costs Per Square Metre in 2026

- **Single-storey extension:** £1,800 - £2,500/m² (excluding VAT)
- **Two-storey extension:** £2,000 - £3,000/m² (excluding VAT)

Remember, these ranges vary depending on your location, the complexity of the job, finishes, and access—especially relevant around Rugby and other Midlands towns where tight driveways and side access common on interwar and postwar semis can add time and costs.

Single-Storey vs Two-Storey Tradeoffs

You might think a two-storey extension inherently costs double, but it doesn't quite work that way. Two-storey builds often have a higher structural requirement, more plumbing and electrical work, and scaffolding that stays up longer, pushing costs higher per square metre.



- Single-storey benefits: often less disruptive, quicker to build, and cheaper VAT due to reduced build cost.
- Two-storey benefits: doubles living space without increasing footprint, better for tight gardens and side access issues but attracts higher VAT on higher costs.

Labour Cost Advantage in Rugby and the Midlands vs London

A major factor in extension pricing is labour rates. Rugby and the Midlands enjoy a cost advantage over London and the South East:

- **Midlands average labour cost:** £150 - £200/day
- **London average labour cost:** £200 - £300/day

This difference can have a big impact on your overall quote. Contractors near Rugby typically offer better value but be mindful of the quality and breakdown of costs. It's common in all regions for quotes to lump everything into one number — *which I dislike — I always want a stage-by-stage breakdown and confirmation of whether VAT is included.*

Planning Permission, Permitted Development, and Conservation Areas

Before you get to the quoting stage, make sure you've navigated local rugbyobserver.co planning rules properly. In Rugby Borough Council's area and similar Midlands local authorities, you'll need to check if your extension falls under **permitted development rights** or requires full planning permission.



Permitted Development vs Planning Permission

- Permitted development allows certain extensions without planning permission if they meet size and height limits.
- Planning permission is needed for anything that goes beyond those limits or is in a conservation area.

Note: Applying for a **Lawful Development Certificate** with Rugby Borough Council can verify whether your works are permitted development, saving you potential headaches with enforcement.

Conservation Areas and VAT Implications

If your home falls within a conservation area, restrictions are tight, and your builder's price could go up due to specialist materials or extra work needed. VAT remains at the standard rate but be extra cautious about accurate quotes and permits because delays can bleed into contingency budgets.

Using the HomeOwners Alliance Cost of Moving Calculator

While planning your extension, you might wonder if moving would be cheaper. The HomeOwners Alliance offers a cost of moving calculator that factors in stamp duty, solicitor fees, and moving costs.

Balancing the VAT on your extension and labour costs against these figures can sometimes justify your decision to invest in your current home rather than relocate.

Final Takeaways: Managing VAT and Budgets on Extensions

1. **Always clarify whether your extension quote includes VAT.** Expect 20% added if not.
2. **Expect single-storey extensions to run from £1,800/m² and two-storey builds upwards of £2,000/m² excluding VAT.**
3. **Midlands labour costs give you a pricing edge compared to London, but always scrutinise the quote breakdown.**
4. **Know your planning requirements if you are in Rugby Borough or similar, and consider a lawful development certificate to confirm permitted development rights.**

5. Factor VAT into contingency budgets but avoid spending your entire contingency early in the project—it's the quickest way to bust your budget.

By understanding how VAT affects your extension costs and what regional factors influence pricing, you can make more confident decisions in 2026 and beyond. And remember, a detailed, transparent quote is your best friend—never settle for a lump sum number that leaves you guessing.