

Rt Hon Sajid Javid MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

7th August 2019

Dear Chancellor,

Re. Joint industry call to delay reverse charge VAT changes

We are writing to you as the major trade bodies in the construction industry to share our serious concerns regarding the imminent reverse charge VAT changes due to take place on 1st October. Collectively, we represent tens of thousands of companies throughout the construction sector, both contractors and sub-contractors, from some of the largest firms to the very smallest.

If introduced in October, we believe reverse charge VAT will have a significant negative economic impact on the industry, substantially increasing the burden on business and restricting cashflow. The timing of these changes could not be worse given they are due to take place just before the UK is expected to leave the EU, quite possibly on 'no-deal' terms.

Reverse charge VAT will be yet another burden on construction employers on top of other pressures facing the industry, such as material price rises, increased pension contributions and skills shortages. On top of these, reverse charge VAT could lead to a loss of productivity, reduced cashflow and in the worst cases, lead to a hit on jobs, tipping some companies over the edge. Small business owners will be least able to cope, as they already spend on average 44 hours per year, which is the equivalent to six working days, on VAT compliance and are currently getting to grips with 'making tax digital' for VAT returns. Reverse charge VAT will exacerbate the squeeze on cashflow, with construction being the sector where late payment is most rife.

As you know, the construction industry accounts for 9% GDP and is key to delivering the Government's house building and infrastructure objectives. This will not be possible with further disruptive changes such as this.

We therefore call on you to delay the implementation of reverse charge VAT by at least six months until April 2020 to give the industry some breathing space following Brexit, for HMRC to fully assess the impact of the changes on the industry, and to ensure businesses are adequately prepared by delivering the following:

- An industry-wide communications campaign;
- Improved plain English guidance, including specific advice on how to reduce the impact on cash flow;
- A dedicated reverse charge VAT website aimed at employers;
- workshops aimed at construction employers held in locations across the country to explain the changes; and
- Support for those who face financial difficulty as a result of the reverse charge VAT.

We the undersigned would be more than happy to work with you to deliver the above. An extension of at least six months would provide time for us to work together to ensure the industry is prepared.

Yours sincerely,

Sarah McCann-Bartlett, Director General,
British Construction Steelwork Association (BCSA)

Suzannah Nichol MBE, Chief Executive,
Build UK

David Frise, CEO,
Building Engineering Services Association (BESA)

Alasdair Reisner, Chief Executive
Civil Engineering Contractors Association (CECA)

Peter L Caplehorn, Chief Executive,
Construction Products Association (CPA)

Steve Bratt, Group CEO,
Electrical Contractors' Association (ECA)

Alan Wilson, Managing Director,
SELECT – Scotland's Electrical Trade Association

Brian Berry, Chief Executive,
Federation of Master Builders (FMB)

Craig Beaumont, Director of External Affairs and Advocacy,
Federation of Small Businesses (FSB)

Iain McIlwee, CEO,
Finishes and Interiors Sector (FIS)

Nick Mellor, Managing Director,
Lift and Escalator Industry Association (LEIA)

Richard Beresford, Chief Executive,
National Federation of Builders (NFB)

Robert Candy, Chief Executive,
Scaffolding Association

Fiona Hodgson, CEO,
Scottish and Northern Ireland Plumbing Employers Federation (SNIPEF)

Rudi Klein, CEO,
Specialist Engineering Contractors' Group (SEC Group)