



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Brian Berry
Federation of Master Builders
David Croft house
25 Ely Place
London
EC1N 6TD

03 February 2021

Dear Mr Berry,

Reverse Charge VAT for Construction and Building Services

Thank you for your letters of 10 December 2020 and 14 January 2021 to the Chancellor of the Exchequer, regarding your concerns about the reverse charge VAT for construction and building services. I am responding as the Minister responsible for tax policy. I apologise for the delay in this reply.

Your letters highlight concerns about adverse cashflow affects, the effect of the reverse charge on legitimate as well as fraudulent businesses, and the continuing impact of Covid-19 on the sector. Your first letter also helpfully provides three case studies illustrating how the reverse charge could affect specific businesses.

The Government is determined to tackle VAT fraud in all its forms, and therefore remains committed to introducing the VAT domestic reverse charge for building and construction services on 1 March 2021. As you know, the reverse charge aims to remove the ability of fraudulent operators to collect VAT and then disappear without remitting the VAT to HMRC. The Government still believes it is necessary to bring in the reverse charge now to combat criminal attacks on the VAT system; another delay or cancellation at this stage would create further uncertainty and cost to businesses which have already spent a great deal of time preparing for the change.

The Government acknowledged in its response to the industry consultation that the introduction of the reverse charge would entail challenges for the sector, and for this reason it provided a very long lead-in time for this measure ahead of the original 1 October 2019 implementation date. The Government has subsequently listened carefully to business concerns, especially those in relation to cashflow and the serious impact the Covid-19 pandemic has had on the

sector, and has delayed implementation on two occasions in order to give businesses additional time to prepare.

HMRC wrote to over 300,000 businesses that could potentially be affected in February and September 2020, with a further letter sent in January 2021 which explained what businesses need to do and where they can find additional information. The latter includes information on how to find dates of the next HMRC live webinars where attendees can get more information and ask questions. Your members may also be interested in viewing a pre-recorded webinar, which can be found at <https://www.gov.uk/guidance/help-and-support-for-vat>.

The Government also takes the issue of a potential impact on business cashflow very seriously. Published guidance on preparing for this change and reducing cashflow impacts can be found online at: <https://www.gov.uk/guidance/vat-domestic-reverse-charge-for-building-and-construction-services>. There is also support for businesses struggling to pay their taxes, which can be found at www.gov.uk/difficulties-paying-hmrc or by calling [0300 200 3835](tel:03002003835).

I welcome your offer to work with HMRC to combat VAT fraud, and thank you for the efforts of FMB and other construction industry trade representatives to support businesses preparing for the change on 1 March 2021.

Yours ever,

A handwritten signature in black ink, reading "Jesse Norman". The signature is written in a cursive, flowing style.

RT HON JESSE NORMAN MP