

Tuesday 9 February 2021

Campaign to Stop Reverse VAT Gains Momentum

Treasury policy due to start on 1 March would hit whole construction supply chain

With the Budget now just three weeks away, there is a long list of issues on the Chancellor's desk, and one of them is whether to scrap the controversial plan to introduce the Construction Services Domestic Reverse Charge (commonly known as 'Reverse VAT').

Scheduled to come into force on 1 March, this new way of collecting VAT from construction companies would restrict cash flow, particularly impacting the financial stability of companies in the supply chain, many of which are SMEs.

"Given the strain that construction companies are currently under during this extended lockdown, the introduction of Reverse VAT comes at the worst possible time", according to Build UK Chief Executive Suzannah Nichol MBE.

"Withdrawing the implementation of Reverse VAT does not require additional funds from the Treasury, and I would suggest it is one of the easier requests to consider. It would also demonstrate support for the construction sector which has continued to work safely throughout the most challenging of circumstances over the last year."

Build UK is part of a coalition of trade bodies that has written to the Chancellor and other ministers to highlight the significant risks posed by Reverse VAT, including insolvencies and project delays, emphasising that construction is a sensitive ecosystem characterised by a high proportion of SMEs, with many businesses operating on wafer thin margins. However, the most significant impact is likely to be on the ability of companies to create, protect and support employment and apprenticeship opportunities which are central to the Chancellor's Plan for Jobs.

Build UK is also leading an industry-wide campaign calling on the Treasury to withdraw the policy. The **#StopReverseVAT** campaign has tapped into a deep and wide concern throughout the construction sector, which employs 10% of the UK workforce. The campaign has engaged companies of all sizes across the sector and reached more than 1.2 million social media users.

Andy Mitchell, Co-Chair of the Construction Leadership Council which serves as an official liaison between the sector and the Government, said: *"Our industry remains in extremely challenging times as we continue to adapt to ongoing COVID-19 rules, mitigate the impact of Brexit and prepare for the forthcoming implementation of rule changes on IR35 and*

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the Construction Industry Scheme. [Reverse VAT] risks reversing any recovery industry has made from COVID-19 and will limit the scope for protecting and creating jobs across the UK.”

Build UK and its members have emphasised their appreciation for the Government’s recognition of the role construction is playing in the economic recovery.

“We have been delighted to collaborate with the Government to prepare for and start to deliver the ‘Build Build Build’ strategy, which will provide long-term benefits for the UK”, said Nichol.

~ Ends ~

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Notes to Editors

1. [Build UK](#) is the leading representative organisation for the UK construction industry. Bringing together Clients, Contractors, Trade Associations representing a wide range of Specialist Contractors, and other organisations committed to industry collaboration, Build UK represents in excess of 40% of UK construction.
2. Build UK has published a [factsheet](#) providing further detail on Reverse VAT.
3. Please contact Communications@BuildUK.org with any requests to interview Build UK Chief Executive Suzannah Nichol MBE.