

Rt Hon Anne-Marie Trevelyan MP
Minister of State
Department for Business, Energy and Industrial Strategy
1 Victoria Street
London
SW1H 0ET

2 February 2021

Dear Minister

VAT Reverse Charge

Congratulations on your appointment as Minister of State at BEIS and in particular for assuming the responsibilities of Minister for Construction. As the leading trade association representing the construction industry, Build UK works closely with BEIS, both directly and through the Construction Leadership Council, to promote a collaborative environment in which together we can deliver the 'Build Build Build' strategy that will provide long-term benefits for the UK.

I would welcome the opportunity to discuss with you construction issues more broadly, but I am writing today about a particularly urgent matter.

Build UK has co-signed the attached letters to the Chancellor of the Exchequer on 10 December 2020 and more recently on 14 January 2021 urging him to withdraw plans to introduce VAT Reverse Charge in construction. In the absence of a response from the Chancellor, I am writing to you to make our position absolutely clear and to stress the urgency of the situation.

VAT Reverse Charge, which is due to take effect on 1 March 2021, is a new way of collecting VAT from construction companies which would mean that VAT will no longer be paid to businesses in the supply chain unless they are providing their services directly to an end user.

Construction is a sensitive ecosystem characterised by a high proportion of SMEs and most businesses operating on wafer thin margins. Within this environment, VAT Reverse Charge will restrict cash flow in the sector, particularly impacting the financial stability of smaller companies, with the potential for loss of jobs and project delays.

The legislation would have this effect at any time; however, given the strain that construction companies are currently under during this extended lockdown, the introduction of VAT Reverse Charge next month comes at the worst possible time.

Build UK and its members appreciate the Government's recognition of the role the construction sector is playing in keeping vital services and infrastructure running during the pandemic, and we are committed to working with the Government to play a positive role in the country's longer term economic recovery.

In order to safeguard the ability of construction to continue playing that positive role, I urge you to call on the Chancellor to withdraw the planned introduction of VAT Reverse Charge.

I have also written to the Secretary of State for Business, as well as Small Business Minister Paul Scully MP, with these concerns, and I would be happy to provide any further information or discuss the matter in with you in more detail.

Yours sincerely



Suzannah Nichol MBE
Chief Executive