

## #StopReverseVAT

### Overview

Build UK is calling on the Chancellor to **withdraw the VAT Reverse Charge**, which is due to be introduced on 1 March 2021.

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.

Reverse VAT would have this effect at any time; however, given the strain that companies are currently under during this extended lockdown, its introduction on 1 March comes at the **worst possible time**.

### What is Reverse VAT?

Construction Services Domestic Reverse Charge (known as ‘Reverse VAT’) is a new way of collecting VAT from businesses that provide construction services within the scope of the [Construction Industry Scheme \(CIS\)](#). It is designed to combat fraud and ensure that any VAT due is paid to HMRC.

Under the new system, VAT would no longer be paid to businesses in the supply chain for providing construction services **unless** they are providing those services directly to an end user. Instead, the responsibility for paying VAT to HMRC would sit with the business that receives the construction services.

**This means contractors working for other contractors would no longer receive VAT on the services they supply but would still be paying VAT on the plant and materials they purchase.**

### What is the issue?

Reverse VAT would have a major impact on cash flow across construction, particularly for those in the middle of the supply chain, creating a significant risk of **insolvencies, job losses and project delays**. The construction sector is a sensitive ecosystem characterised by a high proportion of SMEs, and many businesses are operating on wafer thin margins.

The introduction of Reverse VAT risks **undermining the recovery** the industry has made and will limit the scope for protecting and creating jobs at a time when our country needs a strong construction sector to support the Government’s ‘Build Build Build’ strategy and the longer term economic recovery.

### How is the industry responding?

Build UK has published [A Practical Guide to Reverse VAT](#) to help the industry prepare; however, in light of the ongoing coronavirus restrictions imposed by Government, the risks to companies’ financial stability have become more acute.

The major trade bodies representing construction have signed joint letters to the Chancellor on [10 December 2020](#) and [14 January 2021](#) calling on him to withdraw Reverse VAT.

Build UK has issued a [press release](#) ahead of the Budget emphasising the impact that Reverse VAT will have 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 to raise awareness of the impact of Reverse VAT, urging the Treasury to withdraw the legislation and #StopReverseVAT.**

## How can I help to #StopReverseVAT?

- Add your voice to the call by writing directly to the Chancellor
- Contact your [local MP](#) – urging them to sign the [Early Day Motion](#) tabled by Kirsten Oswald MP calling on the Government to reconsider the introduction of Reverse VAT
- Feature your organisation on Build UK’s social media platforms – [emailing us](#) a quote explaining how Reverse VAT will affect your business or sector
- Follow Build UK on [Twitter](#) and [LinkedIn](#) – tagging us in your own posts and sharing our content on this issue
- Voice your concerns on your own social media platforms using the hashtag #StopReverseVAT and tagging [@hmtreasury](#) and [@HMRCgovuk](#)

## Further information

- [Build UK's A Practical Guide to Reverse VAT](#)
- [Joint Industry Letter to the Chancellor – 10 December 2020](#)
- [Joint Industry Letter to the Chancellor – 14 January 2021](#)
- [Early Day Motion \(EDM\) 1466 – Construction Industry VAT Reverse Charge – 8 February 2021](#)

If you need any further information about this issue, please contact [Communications@BuildUK.org](mailto:Communications@BuildUK.org).



Suzannah Nichol MBE  
Chief Executive, Build UK

*“The introduction of the ‘VAT Reverse Charge’ in March will have a huge impact on the financial stability of companies across the construction supply chain that comply with all their legal obligations.*

*The risk to companies, jobs and projects in both the public and private sectors is significant which is why Build UK and its members are calling for the Chancellor to withdraw the legislation.”*

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