



## VAT REVERSE CHARGE FOR CONSTRUCTION SERVICES DRAFT LEGISLATION

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ICAEW welcomes the opportunity to comment on the *VAT reverse charge for construction services draft legislation* published by HM Revenue & Customs on 7 June 2018.

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## MAJOR POINTS

1. We have no comments on the draft legislation itself, but are very concerned about the additional burden that the proposed change will impose on many small businesses.
2. We believe that the cost of additional burdens being placed on compliant businesses is likely to exceed the value of any additional revenue received from a relatively small number of non-compliant businesses.
3. HMRC states in the VAT reverse charge for construction services impact note:  
*“This measure will impact on around 100,000 to 150,000 businesses in the construction and building sector. The impact on business administrative burdens is expected to be significant. One-off costs include: familiarisation with the new rules and adapting VAT accounting systems and processes to enable reverse charge supplies to be calculated and reported. On-going costs include: calculating the reverse charge, keeping records of all reverse charge supplies, checking purchases are correctly treated, and reporting reverse charge supplies on VAT returns.*  
*The reverse charge will impact on small and micro businesses, particularly in respect of loss of cash flow where VAT is no longer charged. Some businesses use the VAT they collect from customers as working capital before they pay it over to HMRC.”*
4. The gain to the exchequer is estimated to be around £100m per annum, which is less than £1,000 per honest business that will suffer from the additional burdens.