

BMF SCOTLAND

**CUTTING VAT TO 5% FOR BUILDING REPAIRS & MAINTENANCE**

MODEL LETTER . STRASBOURG MEPs

[name of MSP]

Individual addresses off the 7 MEPs websites

Dear \_\_\_\_\_

**CUTTING VAT TO 5% FOR BUILDING REPAIRS & MAINTENANCE WORK**

I am writing to ask you directly to support the construction industry's call for a lowering of the VAT rate to 5% for all building repair and maintenance work.

Construction industry voices in Britain . the Builders' Merchants Federation (BMF) among them . have been campaigning for this for some months. In already dire trading conditions, we see this move as crucial if we are to navigate our way out of recession.

The Worsening Situation

The numbers are already frightening, with predictions of worse to come. For example:

- ◆ 1.2 million people owe more money on a home than it was worth at Christmas 2008 . negative equity could more than double to 3 million by 2010 (source: ~~the~~ Times)
- ◆ lenders took back 10,400 homes in 4<sup>th</sup> quarter of 2008 . ratio of 1 in 1,100 mortgages . 51% rise on the same period in 2007 (source: Council of Mortgage Lenders)
- ◆ 40,000 repossessions throughout 2008 overall . ratio of 1 in 290 mortgages . forecast to rocket to 75,000 by end of year 2009 (source: Council of Mortgage Lenders)
- ◆ 1 repossession every 7 minutes . up from 1 every 10 minutes (source: Shelter)
- ◆ 4 million names on waiting lists . forecast to be 5m by end of next year (source: National Housing Federation) . 1 family in every 12 now on a list (source: LGA)
- ◆ average 90,000 households join waiting lists annually (source: LGA)
- ◆ over 72,000 families homeless or in temporary accommodation (source: LGA)
- ◆ in 2004, estimated extra cost to public purse of living in temporary accommodation (rather than social housing) was £5,000+ per household per year (source: Shelter)
- ◆ council homes available in 2008 fell to 1.87m . in 1999 was 3m+ (source: DCLG)
- ◆ 783,000 empty, rundown or derelict properties (source: The Empty Properties Agency).

Unemployment: recent calculations from a coalition of respected bodies estimate construction will decline by 20% between 2008/10 . a higher proportion than any other sector . equal to 450,000 job losses (source: LGA, NHF, TUC & Shelter).

I wish I could be more cheerful in outlining the situation we merchants face.

Some Benefits of our Proposal

Lower VAT rates persuade voters not to attempt DIY themselves . but to hire builders, plumbers, roofers, etc . leaving them free to concentrate on their day job. This puts work into the formal economy, and avoids personal accident or injury as trained workers are more efficient & effective . especially in using specialist machinery & equipment.

Evading taxes (the informal economy) is prevalent in hard times. Cowboy operators offering voters a cheap, cash-in-hand deal looks attractive but perpetuates the problem of fleecing the public . either money taken but work not done, or substandard/dangerous quality of workmanship. Lowering VAT helps narrow the gap and reduces temptation.

High VAT rates discourage owners (particularly those on low incomes) to repair or maintain property, leading to homes becoming uninhabitable or empty. Such desolation causes social exclusion, engenders a lack of respect, and breeds anti-social behaviour that scars neighbourhoods . with crime, drugs & arson never far away. Vulnerable people in sub-standard dwellings are most liable to suffer health inequalities. And there is always the question of rough sleepers and squatters.

Cutting VAT to 5% is one element of the '**Get Britain Building**' campaign. The BMF is a founder of this industry-wide coalition that launched its Ten Point Plan on 10 February. Our Plan is a platform of policy & tax decisions we want Gordon Brown and Alistair Darling to adopt if Scotland is to get through the economic hardship we are suffering.

The BMF and its 25 coalition partners firmly believe VAT at 5% will help government to (a) achieve other high-level declared targets and (b) assist hard-pressed businesses, notably SMEs, to try and keep battling on. For example:

- ◆ low or zero-carbon homes: new builds are easy, but existing grants & long pay-back periods offer voters little incentive to invest in the drive to secure our low carbon future
- ◆ equality: VAT on improvements for the disabled varies . some items like ramps & bathrooms are exempt . other essentials like accessible kitchens & bedrooms are not
- ◆ enforcement: it is unrealistic to expect HMRC to increase its inspectorate to cope with widespread evasion . our proposal frees them to concentrate where risks are greater
- ◆ fuel poverty: cutting VAT on energy efficient home improvements helps in retrofitting the housing stock (notably ~~hard~~ to treat homes) to make them more energy efficient.

A downloadable brief with detailed reasons we see as the benefits of this step is available from our [www.getbritainbuilding.org.uk](http://www.getbritainbuilding.org.uk) website.

I read on the internet that MEPs held a vote on this in the European Parliament on 19 February . and it was passed by a 600+ majority . *maybe you were there and voted ?* You perhaps know EU Finance Ministers have since given the Treasury the freedom to move. In the 10 March ECOFIN meeting, they agreed to allow member states to lower VAT rates permanently for certain sectors . especially labour-intensive local services like building repair & maintenance. There is no reason now why our Government cannot act.

In a recession, I cannot afford to be slow in coming forward. I appeal to you to lobby any Treasury or Scotland Office ministers you can on behalf of my staff and customers.

My Federation is trying its utmost to revitalise construction. I urge you to represent companies like mine . and construction in general . to see a lowering of VAT to 5% in Alistair Darling's next Budget on 22 April. He has already set a precedent when reducing the standard rate from 17½% to 15% last November in the Pre-Budget Report.

Please do not hesitate to ring me on (\_\_\_\_\_) \_\_\_\_\_. I would be happy if you came to visit my *shop/branch/depot/factory/company head office.*

Yours sincerely

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