



PUBLIC PETITION PE1444

RESPONSE FROM THE FEDERATION OF MASTER BUILDERS

Introduction

1. The Federation of Master Builders (FMB) is the UK's largest trade association in the building industry, with national offices in England, Northern Ireland, Scotland and Wales. Established in 1941 to protect the interests of small and medium-sized (SME) building firms, the FMB is independent and non-profit-making, lobbying for members' interests at both national and local levels. The FMB is a source of knowledge, professional advice and support for its members, providing a range of modern and relevant business building services to save them time and money.

Public Petition PE1444

2. The FMB supports public petition PE1444; namely for the Scottish Government to make representations to the UK Government to reduce VAT on housing repair, maintenance and improvement work. We believe a reduction in VAT from 20% to 5% would create employment in the Scottish construction industry, aide homeowners facing high mutual repair bills, preserve Scotland's built heritage and reduce the size of the informal economy.
3. The FMB also supports the petition's call for the Scottish Government to create an incentive scheme on mutual repairs to tenement properties.

The benefits of reducing VAT from 20% to 5% on housing repair, maintenance and improvement work

Background

4. The FMB is a member of the Cut the VAT Coalition. Support for the campaign extends to over 50 organisations. The Cut the VAT Coalition, through the Federation of Master Builders (FMB), commissioned Experian to look at the effects of various reductions in the rate of VAT on labour relating to repair, maintenance and improvement works on domestic properties. The statistics contained in the following written evidence are sourced from 'Update Report: The effects of a

reduction in the rate of VAT on the labour element of housing repair, maintenance and improvement', produced by Experian in December 2011.

Economic benefits

5. The FMB has long advocated a cut in VAT on all housing repair, maintenance and improvement work (RM&I) to support economic growth. The RM&I market is a significant market in Scotland. It covers everything from small painting and decorating jobs to major refurbishment and improvements, such as room conversions and roof repairs. Reducing VAT from 20% to 5% on RM&I work would have considerable economic benefits; homeowners facing high mutual repair bills would benefit from a 15% cut in project costs and thousands of jobs would be created in the Scottish construction industry. To illustrate, Scotland's RM&I sector represents 16% of total construction output, based on 2010 figures. Based on rigorous analysis by Experian, a cut in VAT to 5% on housing RM&I would result in a 5% increase in demand and a shift of 5% from DIY to professionals. Based on this assumption, Experian calculated that a total of 3,625 construction jobs would be created in Scotland in the period 2012 to 2020.

Preserve Scotland's built heritage

6. By maintaining VAT at 20% on repair, maintenance and improvement work, the UK Government is making it harder to maintain and preserve Scotland's built heritage. The careful stewardship and updating of traditional buildings is not an easy task. VAT levied at 20% has a major impact on the financial viability of projects and it is clear many projects are unable to proceed as a result. This is extremely damaging for Scotland's built heritage, as buildings fall in to disrepair.

Reduce the informal economy

7. In Scotland, the size of the informal economy in the housing repair, maintenance and improvement sector is estimated to be worth in the region of £840 million (around 46% of the total market.) A reduction in VAT would reduce the competitive advantage of the informal economy over legitimate traders. The financial incentive to choose a rogue trader would diminish and a level playing field would emerge instead. In time, this would drive rogue traders out of the market as customers focus on quality and value, not just price. A reduction in VAT could also encourage some firms to make the switch from the informal to the formal economy with additional benefits for other areas of Government policy, such as consumer protection, building regulations and health and safety.

A Scottish Government incentive scheme for mutual repairs to tenement properties

8. The FMB supports public petition PE1444 in urging the Scottish Government to provide incentives for mutual repairs to tenement properties. A grant scheme would incentivise homeowners to maintain traditional properties and would sustain employment in the Scottish construction industry.