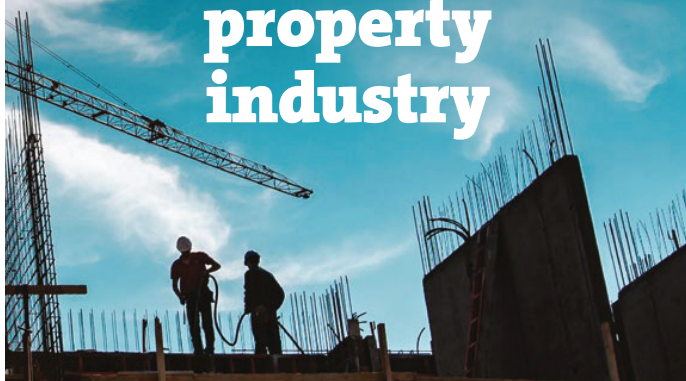


# Supporting an ever-evolving property industry



**Continuing our series on Shipleys' sector specialisms, we talk to Steve Foster, one of the principals in our team servicing the property and construction industry.**

Shipleys has a long tradition of supporting people and businesses involved in all aspects of the property and construction industry. This ranges from those designing and building property to investors, landlords and even demolition contractors.

In the UK, much attention is given to the highs and lows of the sector, covering both residential and commercial properties. That's not surprising when you consider that, in 2021, the gross value added of the UK's construction industry amounted to more than £122 billion, compared with £108 billion in 2020.

It's also a sector that receives significant government interest as a source of taxes and a means to achieve its environmental agenda. This certainly keeps the Shipleys team and their clients on their toes and is why each *Shipshape* invariably has an alert about a change impacting the industry.

Steve says the Shipleys team support clients across a wide range of areas. "We're often asked to help with special projects such as tax planning, and in the current climate, debt and business

restructuring, as well as routine compliance."

Tax compliance and planning is complex when it comes to property and covers many areas. Steve explains: "These include the principal private residence exemption, the implications of trading vs. investment, inheritance tax, stamp duty land tax mitigation, capital gains for groups of companies, off-payroll rules for subcontractors and making the most of capital allowances."

He adds: "VAT is also an area that can be very confusing for people in this sector. It brings different rates depending on the nature of the project. Our VAT team answer a lot of questions in this area."

And more recently, the Shipleys team has been particularly busy advising clients with property in Europe as they try to understand the implications of the UK's departure from the EU.

**You can find out more on our specialist Property and Construction team at <https://tinyurl.com/jc57mp6v>**

# VAT

## Reminders and updates from Shipleys' VAT team

### Early termination fees and compensation payments

Changes to the rules for charging VAT on termination fees and some types of cancellation fees came into effect on 1 April. They apply to businesses that charge their customers to withdraw from agreements to supply goods or services.

Such charges were previously outside the scope of VAT. However, fees charged when customers terminate a contract early will now be regarded as further consideration for the contracted supply. For example, if a customer is charged a fee for exiting a mobile phone contract early, or if they terminate a car hire contract early, it will be liable for VAT.

Compensation payments such as most types of dilapidations payment remain outside the scope of VAT. Working out the correct VAT treatment is still complicated so care needs to be taken. More detail from gov.uk at: <https://tinyurl.com/5cvmz7nm>

### End-customer claim refunds of VAT wrongly charged

Businesses should remember that they are not entitled to claim recovery of VAT that should not have been charged in the first place, or was charged at the wrong rate.

The only recourse for reimbursement is to go back to your supplier and ask for a refund.

Seeking reimbursement from HMRC, when a supplier refund is proving to be impossible, ceased to be available post-Brexit. More detail from gov.uk at: <https://tinyurl.com/2p82f854>

### Revised guidance on VAT grouping registration

There's new guidance for businesses that have applied to create or alter a VAT group but are experiencing a delay in hearing from HMRC. You should treat the application as provisionally accepted on the date you submitted it online or the date it should be received by HMRC if you submitted it by post, and account for VAT accordingly.

While waiting for a grouping registration, you may receive an automated assessment letter asking for payment of any automated assessments or notification of a default surcharge, but no action is required. If you submitted VAT returns to HMRC using previous registration numbers, you do not need to take any steps to change this. More detail from gov.uk at: <https://tinyurl.com/y53yjumh>

**For more information and advice about these or other VAT issues, contact Shipleys VAT team on e: [vat@shipleys.com](mailto:vat@shipleys.com) or by calling one of the Shipleys offices.**