

Contributor



The impact of COVID-19

The impact of COVID-19 upon the sector was untimely coming soon after government announcements of significant infrastructure projects. It was thought that such announcements would cushion any negative impact of Brexit. The industry was therefore looking towards a period of plenty.

The industry was compelled to make widespread use of the Coronavirus Job Retention Scheme in the period to June 2020, as July HMRC releases demonstrate. Construction has seen over 752,000 employments furloughed or 59% of those eligible (versus 31% overall), with 75% of employers in this sector making use of the scheme (versus 60% overall). This correlates with our own research indicating 81% of respondents had made use of the CJRS scheme.

Most of our clients took advantage of deferring VAT payments rather than other the other additional business support measures that were made available by government such as the Coronavirus Business Interruption Loan Scheme.

The true impact of COVID-19 on the industry will not be understood for many years to come. However, in the short-term it has resulted in the loss of productivity, the increase in operating costs, contractual disputes and deferred contract payments.

In the background however two major tax compliance burdens which were deferred as a result of COVID-19 are due to be implemented.

The VAT Domestic Reverse Charge (DRC), will be effective from 1 March 2021. From that date sub-contractors in a CIS chain of supply cease to collect VAT from other contractors. In its place a reverse charge system applies.

Additionally the long awaited extension to recent IR35 changes to the private sector will now be effective from April 2021 which will shift any liability from the subcontractor to the 'employing' company.

However, on a positive note, there is significant scope for companies to improve their cash flow through the use of Research and Development (R&D) tax relief in the sector.

It is important to remember that within construction a whole range of costs are potentially eligible as the basis for a claim. R&D need not just relate to the development of brand new ideas or concepts but a range of activities contributing to the continuous evolution of existing technology and practice could well qualify.

We would encourage all businesses in the sector to take a close look at what they are doing and speak to their adviser to make absolutely certain that they are not missing out on the possibility of claiming R&D tax relief.

Macintyre Hudson understands the nature of the construction industry and the challenges faced. We work with a wide range of clients in the sector.

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Royal Victoria Centre Tunbridge Wells, following refurbishment.

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