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**MONEY  
BLOG**



## Don't pay cash in hand – pay your VAT

Show the door to tradesmen who insist on cash – VAT-dodging is cheating society



Pay cash in hand to escape the VAT and you may find that are paying for a botched job you will need to fix yourself further down the line. Photograph: Stone

Home DIY is as alien to me as crocheting or basket weaving which is why I utilise the building profession. But I have increasingly found their insistence on cash rather than cheque to be take-it or leave-it rather than optional, albeit they offer to knock off the VAT.

When I get tradespeople like this I politely show them the door. I have no truck with customers who agree to promises of "I'll do it VAT-free for cash mate", for they are part of a deception that cheats society.

Nigel Courtney, senior tax associate at UHY Peacheys Chartered Accountants, says coalition cuts and higher VAT mean there is likely to be an even bigger pressure for cash payments – and it's not just VAT that is being evaded.

He says builders, plumbers and electricians who have lost jobs with reputable firms are starting up on their own and some can be tempted to hide their full earnings from HM Revenue and Customs (HMRC). A builder earning more than £37,400 will be in the 40% tax bracket and for every job over £1,000 they could save about £500 if they avoided paying National Insurance and income tax, a temptation that drives the cash-in-hand culture.

The practice is likely to grow sharply after cheques are phased out by 2018. Anita Brook, founder of Accounts Assist, does not believe many tradespeople will want to carry around credit and debit card machines, let alone pay for the rental of devices and transaction charges.

HMRC says there is no law against paying in cash, or indeed asking for cash, and the onus is on the trader to make the correct earnings declaration. Of course, not all cash deals will be designed to evade income tax and VAT.

The problem is that without a paper trail, they create an opportunity to deceive. Brook says VAT-registered businesses are more likely to be honest because of increased reporting requirements and risk of inspection.

A spokesman from HMRC says: "Tax evasion is an indication of a lack of honesty and integrity so why should customers suppose that it is only HMRC that tradespeople will cheat. They, too, might find themselves short-changed if the quality of the work proves to be wanting."

Tom Galvin, managing director of West London firm Adrem Property Maintenance Services, says it is customers rather than tradespeople that put on pressure for a cash deal. "This is the type of customer for whom price is initially the primary objective. They don't think the work could be of questionable quality," he says. He estimates at least 10-15 per cent of operators at "the small one-man-van level" ask for cash-in-hand but he believes many more are asked.

This is supported by research earlier this year by the Federation of Master Builders which found 92% of members who replied said they had been asked to accept a cash-in-hand job by a client.

But the Federation warns that customers should resist such deals because there is no guarantee of help if the work goes wrong or the tradesperson goes out of business mid-job: customers who are actively complicit in tax evasion and boosting the "informal" economy will find it difficult to seek help from local trading standards officers.

Steve Bratt, chief executive of the Electrical Contractors' Association, says customers can always offer to pay by BACS. The payment should not be made until all work is completed, and customers should ask for a receipt with a VAT number if registered, he says.

John Ogilvie, managing director, of Network VEKA, a not-for-profit standards and guarantees organisation in the PVC-U window and conservatory industry, says: "If a high street retailer offered to take off a few quid for no receipt, say for a new television or a computer, we'd recoil in horror, so why are we so keen to do the same for any cowboy who knocks on the door?"

He adds that next time you have a complaint about the state of the health service, policing or schools, you might do well to consider for a moment that if you have succumbed to cash jobs, you have, along with thousands of others, in fact, contributed to their decline.

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