

FAQs on payment of VAT for site-based staff at developments
To publish at: www.firstport.co.uk/residents-help-and-advice

What are the changes and when will they apply?

Her Majesty's Revenue and Customs (HMRC) has recently introduced new guidance regarding the payment of VAT for site-based staff at developments.

The guidance requires that Property Managers *must* add VAT onto the cost of site staff collected through the development service charge from 1 November 2018.

This means that any site staff costs after this date will have a 20% VAT charge attached. This will not affect the other parts of your service charge, which already include VAT.

You can read the new guidance on the Government's website [here](#).

Why are you making these changes now?

HMRC has been very explicit in their guidance that VAT must be added to the cost of site staff from 1 November 2018. We have sought expert tax advice to understand this in greater detail and the findings have made it very clear that all managing agents, including FirstPort, must adhere to the guidance. FirstPort does not benefit financially from this tax charge.

Which staff are affected?

Site staff refers to a member of staff directly employed by us connected with the day-to-day running of an estate, dwelling or block of flats. At FirstPort this includes, but is not limited to:

- Development Managers/Assistant Development Managers
- Concierge
- Caretakers
- Cleaners
- Maintenance Operatives
- Gardeners

What will the cost be for me personally?

This only affects developments where you pay a service charge and there are dedicated site staff employed by FirstPort. You may live on a development where this change does not affect you directly.

If you are affected by this, your share of the VAT will depend on the lease at your development. As with all charges, your share will be as specified in your lease. The exact amount will be highlighted in your next budget or service charge accounts as follows:

- All service charge budgets issued from 1 October 2018 onwards will show the VAT on site-based staff from 1 November 2018.
- All service charge accounts issued for developments with financial year ends from 30 November 2018 onwards will have VAT included on site-based staff from 1 November 2018. The additional VAT charge will show as a variance from the previously notified service charge budget, as these were issued before the HMRC announcement. Any overall surplus or deficit will be added to your next invoice.

When will I have to pay?

The VAT will be applied from 1 November 2018 and will be added to your next service charge invoice, and clearly marked. It will be part of the total service charge amount, payable in the normal way.

What does the payment I currently incur for site staff cover?

Individuals and teams working at your site ensure the smooth day-to-day running of your development. For example, Development Managers keep on top of any maintenance and local issues, concierge staff welcome visitors to your development and look after deliveries, and cleaners make sure that communal areas are looking the best they can be. The number of staff required on-site is based on the size and complexity of the development.

Will you make any profit out of this additional charge?

This is not an additional charge made by FirstPort. It is a tax charge applied by HMRC that FirstPort collects and pays directly to HMRC. FirstPort does not benefit from this charge.

For reactive use only

The below questions will *not* be published on our website, and will only be used to answer specific questions we may be asked.

Should you have been paying VAT on site staff previously?

The new guidance states that Property Managers must pay VAT on site staff from 1 November 2018. We have not been requested to pay this VAT prior to this time. There are no retrospective charges to pay.

The guidance on the HMRC website references errors made in the application of ESC 3.18 – is that what happened with FirstPort?

To date, FirstPort, in common with most in the sector, has taken the view that HMRC's Extra Statutory Concessions meant that VAT did not apply to on-site staff, but HMRC has now sought to clarify the rules. The expert tax advice we have taken on this matter makes it very clear that all managing agents, including FirstPort, must adhere to the guidance.

Why does FirstPort not pay these costs?

Staff are employed to work exclusively for residents at the development, and like any other VAT cost added to services, this is a tax applied as part of the overall service charge payment.

What happens if I am struggling to pay the extra amount?

We appreciate that most additional costs are unwelcome, however, this is a mandatory change that we have no choice but to make. We wanted to let you know about this ahead of your next invoice so that you have time to prepare. If you have serious concerns about being to pay this additional amount, please contact our customer services team [here](#).

I have concerns about the effectiveness of my Development Manager, so why should I pay more for them?

We're sorry to hear that you are not satisfied with the performance of your Development Manager, and we'd urge you to share your concerns with your Area Manager or Regional Manager so that we can review this and, where appropriate, take action.

However, to be clear, this is not an additional payment to your Development Manager. Individual staff will not get an increase to their salary because of this and FirstPort as a company will not profit from this charge. The VAT costs will go directly to HMRC.

How many developments are affected?

This affects all our developments that employ dedicated site staff. Staff that are employed by a third party (i.e. cleaners/gardeners) who then invoice for the work undertaken already include VAT.

Why haven't you told me about this earlier?

As soon as the guidance was issued in September, we took expert advice on how this applies to our staff as we wanted absolute clarity before we confirmed details of the



changes with our employees and customers. As soon as we had this clarification, we communicated with you, our customers, and our employees.

What else is included in the overall cost of FirstPort staff?

The amount you pay as part of your service charge includes the member of staff's salary and any National Insurance/pension contributions and benefits (such as Membership to a professional body). The cost also includes any relief management needed at times of holiday, employer liability insurance and any directly related training or travel expenses. There is also a small charge associated with the Apprentice Levy.