

APPENDIX 6

Memorandum from the Isle of Man Office of Fair Trading

Isle of Man Office of Fair Trading

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MEMORANDUM

To : The Collector, Customs and Excise Division
From : Office of Fair Trading
cc :
Date : 22 January 2003
Subject : 5% VAT Rate

In the late 1990's the Office regularly received complaints about itinerant tradesmen visiting the homes of elderly persons and offering to carry out small building works such as roof repairs, external painting or driveway maintenance. They often used high pressure sales techniques by telling householders that certain works were necessary and could lead to further damage if left as it was, and they almost always charged exorbitant prices for very little work.

We collectively refer to these types of person as "cowboy builders" as they are seldom qualified in any of the trades and merely use the building guise as a front to extract money under false pretences. In 1997 we received 41 complaints about such persons (out of total of 200 plus home improvement type complaints) and it is estimated that their deceptive trading practices cost consumers over £100 000 as we were never able to obtain any redress for consumers even after successful criminal convictions.

It is also true to say that during this period it was frequently difficult to get tradesmen to do work as they were drawn to the major building contracts on the Island at that time. Equally the hourly rates increased dramatically and this was compounded by the addition of VAT at 17.5% which encouraged consumers to pay "cash-in-hand" to avoid the VAT. The shadow economy which flourished also helped to camouflage the activities of the cowboys as it was not only the undesirable element that dealt only in cash.

Our recording systems changed at the end of 1998 so the first full calendar year of statistics we have available show that in 1999 there were 202 home improvement type complaints compared with 183 and 186 respectively in 2000 and 2001 but most importantly the number of cowboy complaints also decreased significantly in the last two years when compared against 1997. This is against a background of an increasing number of home improvement contracts being carried out.

It would appear that the reduction in VAT has encouraged consumers to use bona fide traders for home improvement works which in turn has either driven the cowboys out of the market or driven them to register for VAT. From our point of view this movement towards the bona fide traders has also meant that redress and remedial action has been forthcoming and consumers have not suffered losses to the same extent as in previous years. I believe the building industry as a whole has also benefited through what seems to be an overall increase in contracts and also by an improvement in the reputation of the industry which is now less affected by the cowboy element.

APPENDIX 7

Hotel Accommodation - 5% Rate Charts

Table 27

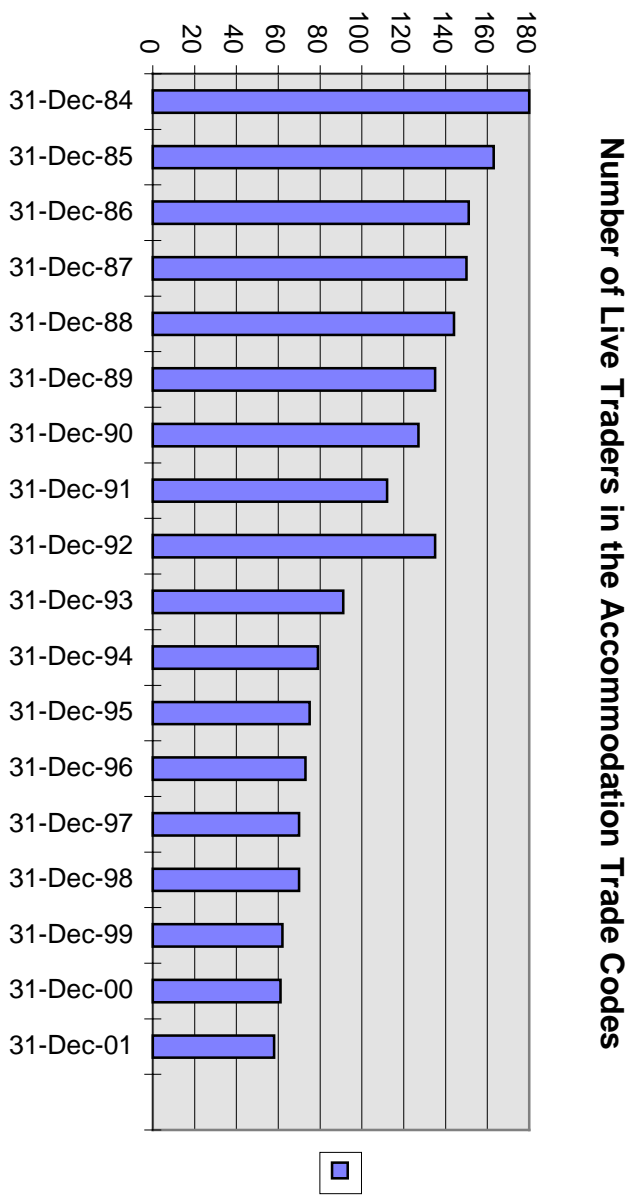


Table 28

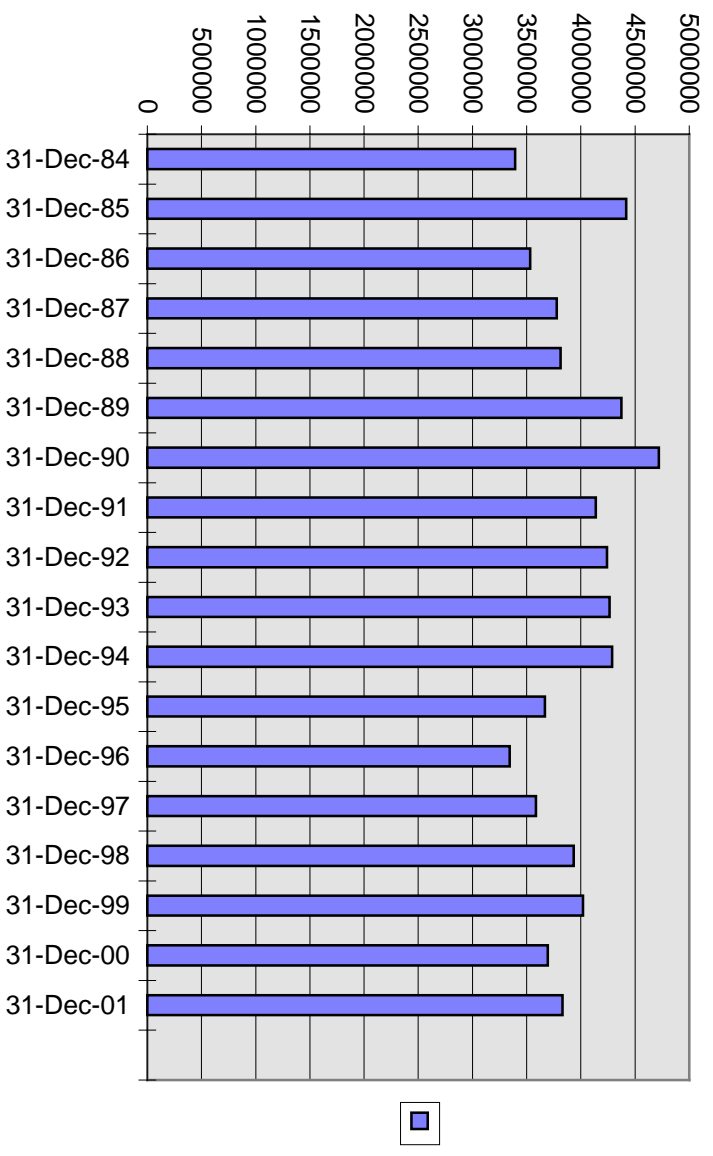


Table 29

Accommodation - sales

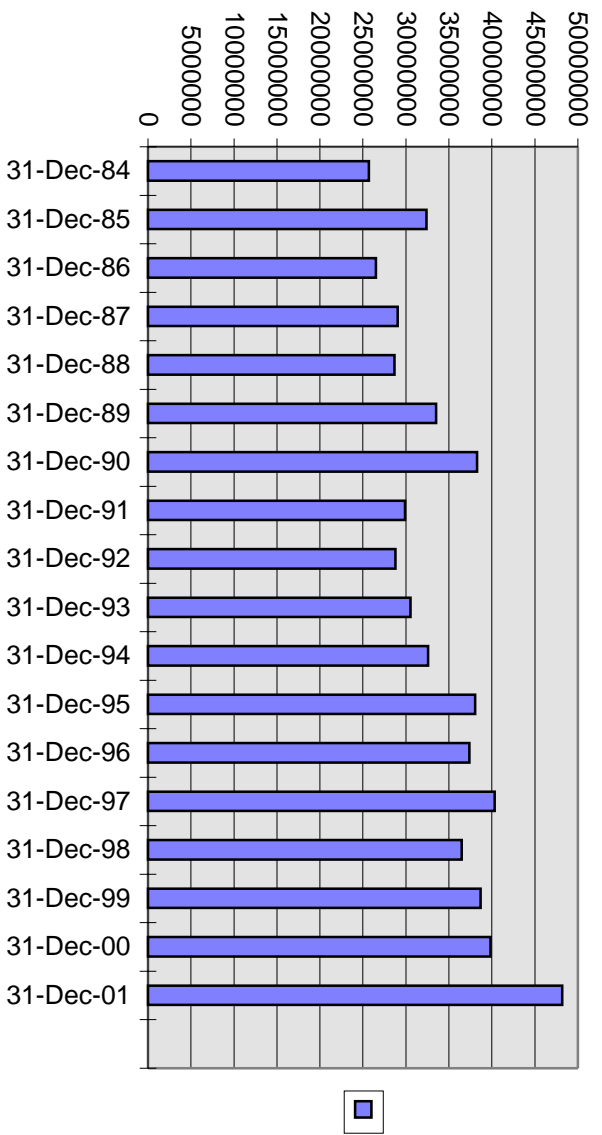


Table 30

Percentage increases -output tax and total sales

