

# VAT Reverse Charge

Following the announcement and updates from HMRC, businesses linked to the building and construction industry will be seeing the following changes to their VAT:



The customer receiving the specified service has to pay the VAT to HMRC instead of the supplier. In turn the customer can recover the VAT, subject to the normal rules.



For the official dates on when to expect HMRC to introduce these changes, you can keep up to date through their website.

## BEST PRACTICES

- 1 Check whether the reverse charge affects either your sales, purchases or both
- 2 Make sure your accounting systems and software are updated to deal with the reverse charge
- 3 Consider whether the change will have an impact on your cash flow
- 4 Ensure all your staff who are responsible for VAT accounting are familiar with the reverse charge

## WHAT DO I DO IF I'M A:



CONTRACTOR

- 1 Review contracts with sub-contractors
- 2 Notify suppliers of the change



SUB-CONTRACTOR

- 1 Contact your customers to check their VAT & CIS status
- 2 Confirm if customers are the end user or an intermediary

## SERVICE SUPPLIERS

- ✓ VAT Reverse Charge **applies** to you
- ✗ VAT Reverse Charge **does not apply** to you

- ✓ constructing, altering, repairing, extending, demolishing or dismantling buildings
- ✓ pipelines, industrial plant and installations for purposes of land drainage, coast protection
- ✓ installing heating, lighting, air-conditioning, ventilation, power supply, drainage, sanitation, water supply or fire protection systems
- ✓ internal cleaning of buildings and structures, painting or decorating

- ✗ drilling for extracting oil or natural gas, tunnelling, boring, or construction of underground works
- ✗ manufacturing components for HVAC, power supply, drainage, sanitation, water supply or fire protection systems
- ✗ signwriting and erecting, installing and repairing signboards and advertisements
- ✗ Installing security systems, including burglar alarms, closed circuit television and public address systems
- ✗ installing seating, blinds and shutters

If the VAT Reverse Charge applies to you, this is what you should do:

## TO DO LIST

- 1 Check HMRC regulations carefully
- 2 Update your invoice templates in your accounting system to include the reverse charge
- 3 Verify the VAT status and CIS registration of your customers
- 4 Verify your suppliers to ensure you're being invoiced correctly
- 5 Contact your bookkeeper

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All information sourced from gov.co.uk  
Make sure to read HMRC regulations carefully and contact your bookkeeper