

Domestic reverse charge VAT

Changes to VAT in the construction industry from 1 October 2020

In 2017, the government announced its intention to introduce a VAT reverse charge on certain building and construction services to combat organised criminal fraud in the construction industry. The new rules will come into effect on 1 October 2020.

Where a reverse charge operates, the customer receiving the supply must account for the VAT due rather than the supplier. If the customer is able to recover the VAT, they do so on the same VAT return meaning no net VAT is payable to HMRC.

Where you are the supplier

If you carry out any work where the new reverse charge rules are applicable, you will need to establish whether or not your customer is the end user.

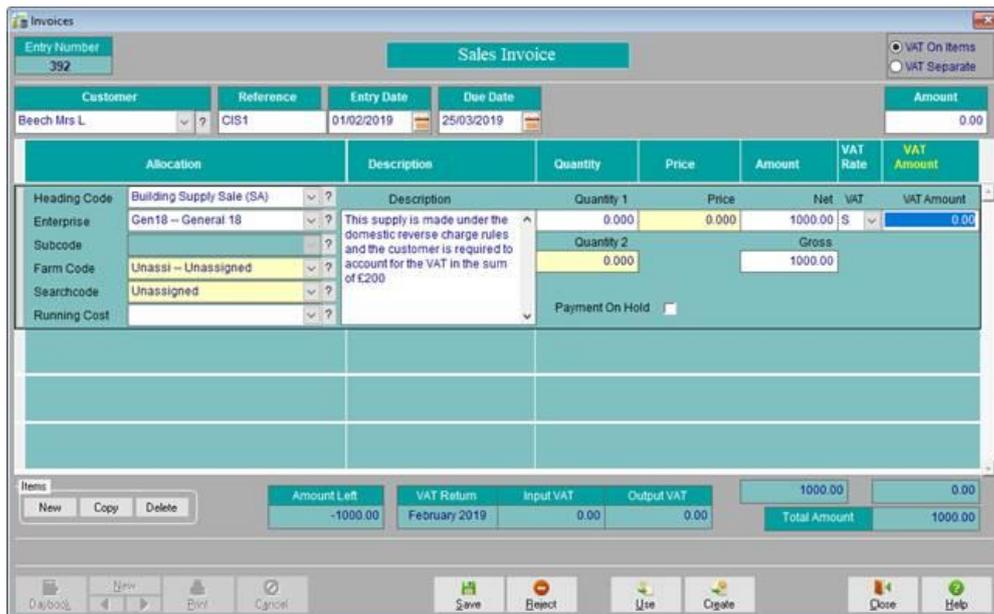
If your customer is the end user, you will charge VAT as normal.

If your customer is not the end user, but is not registered for VAT, you will charge VAT as normal.

If your customer is not the end user, but is registered for VAT, you will no longer charge them VAT. Instead you will include a statement on the invoice saying, *“This supply is made under the domestic reverse charge rules and the customer is required to account for the VAT in the sum of £.....”*.

In Business Manager enter the Sales Invoice (or Cash Analysis receipt) with the Net figure, an S VAT status but no VAT. Put the statement in the description so that it is shown on the Sales Invoice.





The VAT return will show the net value of the sales in box 6 but will not include any VAT in box 1.

VAT due in this period on sales and other outputs	1	0.00
VAT due in this period on acquisitions from other EC Member States	2	0.00
Total VAT due (the sum of boxes 1 and 2)	3	0.00
VAT reclaimed in this period on purchases and other inputs (including acquisitions from the EC)	4	0.00
Net VAT to be paid to Customs or reclaimed by you (Difference between boxes 3 and 4)	5	0.00
Total value of sales and all other outputs excluding any VAT. Include your box 8 figure	6	1000.00
Total value of purchases and all other inputs excluding any VAT. Include your box 9 figure	7	0.00
Total value of all supplies of goods and related services, excluding any VAT, to other EC Member States	8	0.00
Total value of all acquisitions of goods and related services, excluding any VAT, from other EC Member States	9	0.00

Where you are the customer

If you are the end user, you will be charged VAT by your supplier in the normal way.

If you are not the end user, you will receive an invoice from your supplier saying that the supply is made to you under the reverse charge rules.

In Business Manager select 'VAT separate' at the top of the screen and enter the Input VAT as a positive figure and the Output VAT as a negative figure.



The output VAT on the supply will be shown in box 1 on your VAT Return, and will be contra'd by the input VAT in box 4. The net value of the input is shown in box 7.

VAT due in this period on sales and other outputs	1	200.00
VAT due in this period on acquisitions from other EC Member States	2	0.00
Total VAT due (the sum of boxes 1 and 2)	3	200.00
VAT reclaimed in this period on purchases and other inputs (including acquisitions from the EC)	4	200.00
Net VAT to be paid to Customs or reclaimed by you (Difference between boxes 3 and 4)	5	0.00
Total value of sales and all other outputs excluding any VAT. Include your box 8 figure	6	0.00
Total value of purchases and all other inputs excluding any VAT. Include your box 9 figure	7	1000.00
Total value of all supplies of goods and related services, excluding any VAT, to other EC Member States	8	0.00
Total value of all acquisitions of goods and related services, excluding any VAT, from other EC Member States	9	0.00

For full details please refer to:

<https://www.gov.uk/guidance/vat-domestic-reverse-charge-for-building-and-construction-services>