

OCTOBER 2020

Domestic VAT Reverse Charge: Construction Industry



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Introduction

From 1 March 2021, businesses in the construction industry will be subject to the domestic VAT reverse charge.

Transactions between businesses registered for both CIS and VAT will be subject to the reverse charge, unless the customer is the end user or the particular supply is exempt.



Examples of Supplies

The domestic reverse charge should be applied to these services:

- constructing, altering, repairing, extending, demolishing or dismantling buildings or structures, including offshore installation services
- constructing, altering, repairing, extending, demolishing of any works forming, or planned to form, part of the land, including walls, roadworks, power lines, electronic communications equipment, pipelines, water mains, wells, sewers, industrial plant and installations for purposes of land drainage, coast protection or defence
- installation of heating, lighting, air-conditioning, ventilation, power supply, drainage, sanitation, water supply or fire protection systems
- cleaning carried out as part of a construction project
- painting or decorating
- services which form an integral part of, or are part of the preparation or completion of a project, e.g. site clearance, excavation, scaffolding, site restoration, landscaping and the provision of access

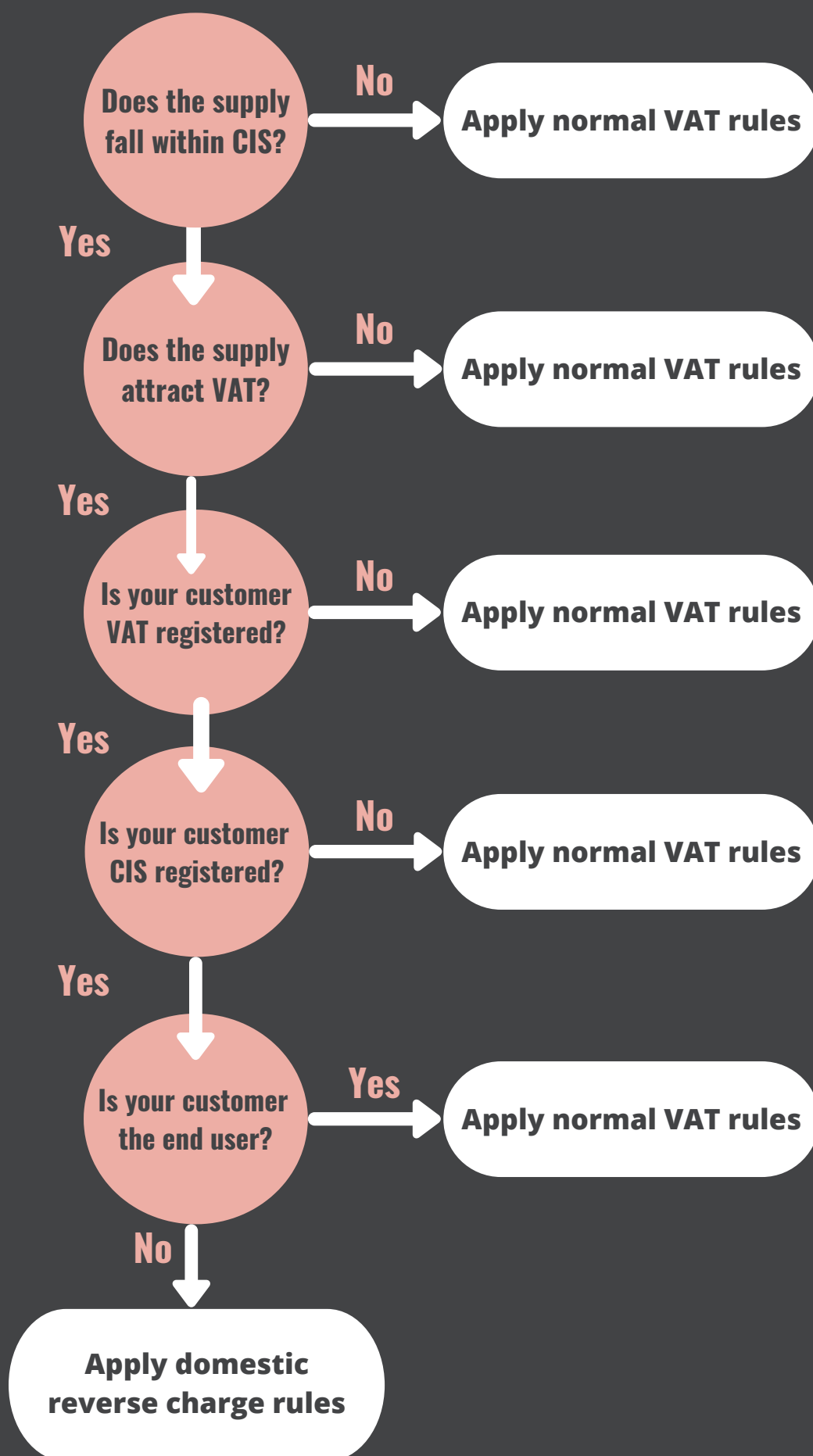


Examples of Exempt Supplies

The domestic reverse charge should NOT be applied to these services when provided in isolation:

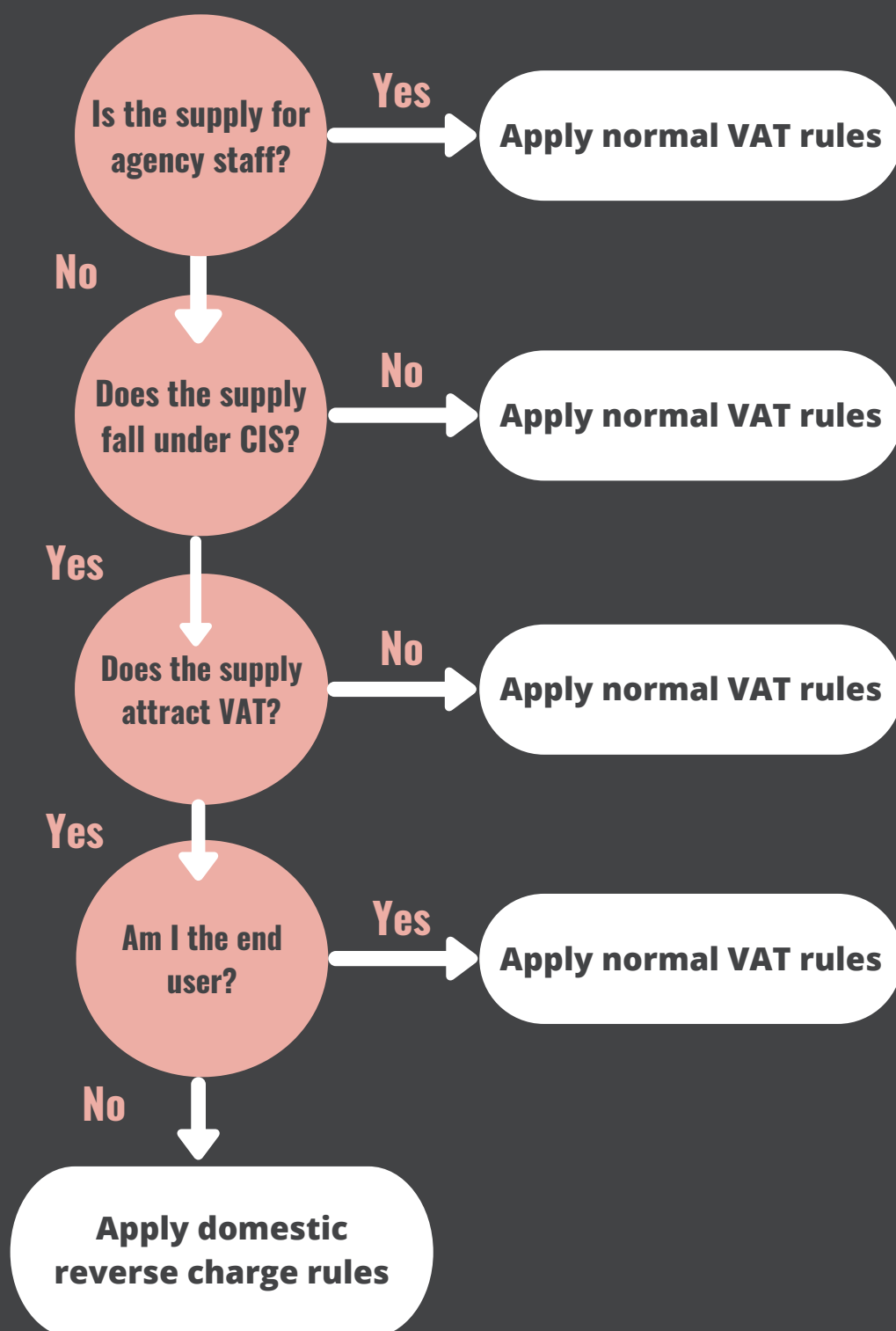
- drilling for, or extracting, oil or natural gas
- extracting minerals and tunnelling, boring, or construction of underground works, for this purpose
- manufacturing building or engineering components or equipment, materials, plant or machinery, or delivering any of these to site
- manufacturing components for heating, lighting, air-conditioning, ventilation, power supply, drainage, sanitation, water supply or fire protection systems, or delivering any of these to site
- the professional work of architects or surveyors, or of building, engineering, interior or exterior decoration and landscape consultants
- making, installing and repairing art works such as sculptures, murals and other items that are purely artistic signwriting and erecting, installing and repairing signboards and advertisements
- installing seating, blinds and shutters
- installing security systems, including burglar alarms and CCTV

Supplier Guidance





Purchaser Guidance





Example Invoice

INVOICE

From: Sub-contractor (Supplier)

Supplier's Address:

Supplier's VAT Registration No:

To: Contractor (Customer)

Customer's Address:

Customer's VAT Registration No:

Invoice No:

Invoice Date:

Description	Net (£)	VAT Rate	VAT (£)	Gross (£)
Refurbishment of commercial premises	100,000	20%	Reverse charge applies	100,000
Total	100,000			100,000

Customer to account to HMRC for the reverse charge output tax on the VAT exclusive price of items marked 'reverse charge' at the relevant VAT rate as shown above.

VAT Return Entries - Supplier

- Box 1 - VAT on sales - £0
- Box 4 - VAT on purchase - £0
- Box 6 - Net sales - £100,000
- Box 7 - Net purchases - £0

VAT Return Entries - Purchaser

- Box 1 - VAT on sales - £20,000
- Box 4 - VAT on purchase - £20,000
- Box 6 - Net sales - £0
- Box 7 - Net purchases - £100,000

The VAT amount in boxes 1 & 4 is calculated by applying the normal VAT rate to the net value shown on the invoice, i.e. £100,000 * 20%.



Any Questions?

If you have any questions about anything included in this document, please contact me via the website:

www.jp-accountancy-services.com/contact-us/

Or email jasmine@jp-accountancy-services.com