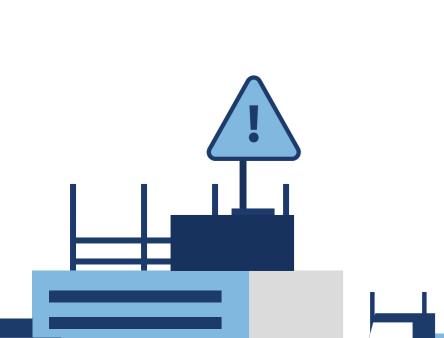
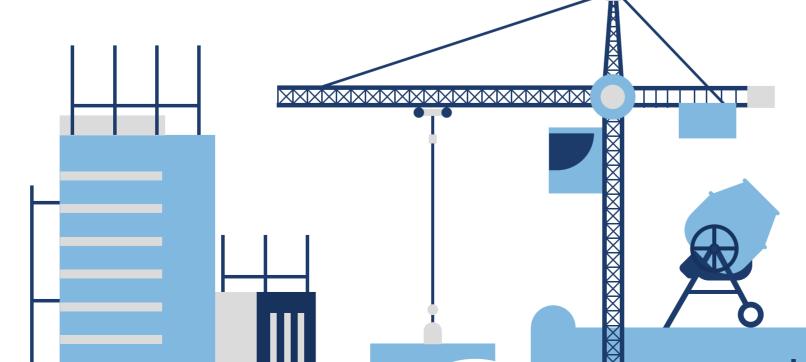
The Construction Reverse Charge VAT Scheme is different

In an attempt to reduce fraud in the construction industry, there have been radical changes implemented by HMRC that impose rules on the companies that are targeted by the new laws that are very different from how VAT has been collected and reported historically.

The onus is now on the customer to pay the VAT charged on invoices directly to HMRC, rather than to the supplier, if they report under the Construction Industry Scheme (CIS).

It should be noted that this only applies to businesses that are buying or selling products between VAT-registered contractors and sub-contractors within the construction industry.





When does the Construction Reverse VAT Scheme apply?

the Scheme applies to certain kinds of construction services completed in the UK, along with the building and construction materials used within the services. It doesn't apply for materials supplied independent of any construction services.

The charge is an extension of the CIS scheme, and for any services undertaken by the subcontractor, the contractor paying them will be responsible for paying them, net of any CIS deductions and National Insurance, as well as VAT. The contractor will be responsible for paying across the VAT to HMRC, not the sub-contractor who raised the invoice and completed the works.

HMRC has suggested doing the following to ensure businesses are prepared:

- Investigate whether the Scheme applies to the business's sales, purchases or both;
- Ensure that accounting software is sufficient and updated to deal with the Scheme;
- Consider what implications there are for the cashflow of the business, and plan for it in advance of the scheme becoming live;
- Ensure that staff responsible for charging VAT are familiar with the new rules and the date they will become law.

It would be advisable to review any contracts that construction businesses have, and to have conversations with customers and suppliers, so that measures can be put in place.

