

# VAT Reverse Charge For Building and Construction Services (CIS)

From 1 March 2021, the domestic VAT reverse charge must be used for most supplies of building and construction services.

## The charge applies to standard and reduced-rate VAT services:

- › for individuals or businesses who are registered for VAT in the UK
- › reported within the Construction Industry Scheme

## How does QuickBooks help me?

From 01 March 2021 QuickBooks will have 2 new VAT codes (20% & 5%) that customers will be able to use to account for the VAT reverse charge. Once the code has been selected and the transaction is saved, QuickBooks will automatically account for the reverse charge and the VAT will be reflected on your VAT return; you do not need to amend or adjust your return.

If you are an existing customer and have enabled VAT & CIS then you do not need to set up anything. You will only need to enable and select the VAT code to apply it to invoices or bills.


\*To use the VAT reverse charge for construction you must enable VAT & CIS in QuickBooks.

## What is the VAT domestic reverse charge for construction services?

The VAT domestic reverse charge for building and construction services is a change in how VAT is handled for certain kinds of construction services in the UK along with the building and construction materials used directly in those services (although it doesn't apply to building and construction materials supplied separately and independently of any construction services).

The VAT reverse charge for construction is effectively an extension of the Construction Industry Scheme (CIS) and applies only to transactions that are reported under the CIS and are between VAT-registered contractors and sub-contractors.

To simplify this even further for services a sub-contractor provides they will require the contractor employing them to handle and pay the VAT directly to HMRC. The payment received will be for the cost of the work done (plus materials used), net of any CIS deductions for tax and National Insurance but no VAT will be paid on the invoice.



# VAT Reverse Charge For Building and Construction Services (CIS)

## What if my construction project begins before the reverse charge but ends after it comes in?

It will depend upon when the tax point is. In most cases, this will be the date of issue of the VAT Invoice, or the receipt of payment – whichever occurs first.

“Time of Supply” rules apply for prepayment. If a prepayment was made then it will be the date that the supplier received payment and if there is no invoice or the invoice was issued 15 or more days before the work is finished then it will be the date that the work was finished.

If the tax point is on or after 1 March 2021 then the reverse charge should be applied. If the tax point is before that date, current VAT rules apply.

**Lesser & Co.**  
CHARTERED ACCOUNTANTS  
AND BUSINESS ADVISORS

## What VAT rates does the VAT reverse charge for construction services apply to?

It applies to both standard and reduced-rate VAT supplies. It doesn't apply to zero-rated supplies.

## What do I do if the VAT reverse charge for construction services doesn't apply to the services I provide?

Normal VAT rules will apply, which is to say, you should invoice for the VAT and account for it in your VAT return.

## What construction services does the VAT reverse charge apply to?

According to HMRC, You must use the reverse charge for the following services:

- constructing, altering, repairing, extending, demolition, or dismantling buildings or structures (whether permanent or not), including offshore installation services
- constructing, altering, repairing, extending, demolishing of any works forming, or planned to form, part of the land, including (in particular) walls, roadworks, power lines, electronic communications equipment, aircraft runways, railways, inland waterways, docks, and harbors, pipelines, reservoirs, water mains, wells, sewers, industrial plant and installations for purposes of land drainage, coast protection or defense
- installing heating, lighting, air-conditioning, ventilation, power supply, drainage, sanitation, water supply, or fire protection systems in any building or structure
- internal cleaning of buildings and structures, so far as carried out in the course of their construction, alteration, repair, extension, or restoration
- painting or decorating the inside or the external surfaces of any building or structure
- services which form an integral part of, or are part of the preparation or completion of the services described above - including site clearance, earth-moving, excavation, tunneling and boring, laying of foundations, erection of scaffolding, site restoration, landscaping, and the provision of roadways and other access works

## What is exempt from the VAT reverse charge for construction services?

Do not use the charge for the following services, when supplied on their own:

- drilling for, or extracting, oil or natural gas
- extracting minerals (using underground or surface working) and tunneling, 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 the site
- the professional work of architects or surveyors, or of building, engineering, interior or exterior decoration and landscape consultants
- making, installing, and repairing artworks 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, closed-circuit television, and public address systems

## Does the VAT reverse charge for construction services apply to work provided for home/domestic individuals?

No. It only applies to VAT-registered businesses registered for the CIS. If the services are provided for non-VAT-registered individuals or other kinds of ordinary non-business individuals then standard VAT rules apply.

## Is Making Tax Digital for VAT affected by the VAT reverse charge for construction?

Making Tax Digital only changes how businesses submit their VAT returns and how VAT is accounted – both of which must be done digitally using functional compatible software and hence it has no direct impact on the VAT reverse charge other than the fact any reverse charges must be recorded digitally, along with the rest of your VAT.