

VAT

A GUIDE FOR CIS

CONSTRUCTION INDUSTRY VAT REVERSE CHARGE



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From 1 March 2021 the domestic VAT reverse charge must be used for most supplies of building and construction services, business to business. Not applicable to zero-rated VAT supplies of 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

What is the reverse charge?

- If you are the main contractor, unless you satisfy conditions as an end-user, you will stop paying VAT to subcontractors working on projects where the Construction Industry Scheme (CIS) applies. Instead, you'll pay the VAT directly to HM Revenue and Customs (HMRC)
- If you are a subcontractor, this will affect your cash flow, as it will reduce the gross amount that you charge to your main contractor and you will not have the usual time difference between charging your customer and reporting and paying the VAT to HMRC

Who it affects?

Whether you are a main contractor or subcontractor, the VAT reverse charge will affect you if both of the following apply:

- you work on any contract covered by the CIS
- both you and your main contractor or subcontractor are VAT-registered businesses

If your subcontractors are not registered for UK VAT, or your supplies are zero-rated, then the reverse charge will not affect you. Nor will it apply to end-user customers. If the VAT reverse charge applies to you, you must get ready now.



Who does it cover?

Supplying Services

If you are VAT registered in the UK, supplying building and construction industry services and:

- your customer is registered for VAT in the UK
- payment for the supply is reported within the Construction Industry Scheme (CIS) the services you supply are standard or reduced rated
- you're not an employment business supplying either staff or workers, or both
- your customer has not given written confirmation that they are an end-user or intermediary supplier

Buying Services

if you're VAT registered in the UK, buy building and construction industry services and:

- payment for the supply is reported within the Construction Industry Scheme (CIS)
- the supply is standard or reduced rated
- are not hiring either staff or workers, or both
- you're not using the end-user or intermediary exclusions

The Flat Rate and Cash Accounting schemes can not be used on these transactions. Businesses on Flat Rate will no longer benefit from charging more VAT than they pay to HMRC on their VAT returns for these transactions.



What do you need to do?

If you supply services:

1. Check if your customer has a valid VAT number.
2. Check your customer's CIS registration.
3. Review your contracts to decide if the reverse charge will apply, and tell your customers.
4. Ask your customer to confirm whether they are an end-user or intermediary supplier.
5. Find out how to record the reverse charge in your accounts.

Make sure your invoices show the reverse charge applies, so customers will no longer pay you any VAT

Decide if you want to move to monthly returns

If you buy services:

1. Check if your supplier has a valid VAT number.
2. Inform your supplier if you are an end-user or intermediary supplier, as reverse charge will not apply.
3. Account for the charge.

Make sure the invoice you receive is correct
Check the list of services that must use the reverse charge
Record the reverse charge on your VAT return and reclaim it in the usual way

When you **must** use the reverse charge

You must use the reverse charge for the following services:

- constructing, altering, repairing, extending, demolishing 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 harbours, pipelines, reservoirs, water mains, wells, sewers, industrial plant and installations for purposes of land drainage, coast protection or defence
- 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, tunnelling and boring, laying of foundations, erection of scaffolding, site restoration, landscaping and the provision of roadways and other access works

When you **must not** use the reverse charge

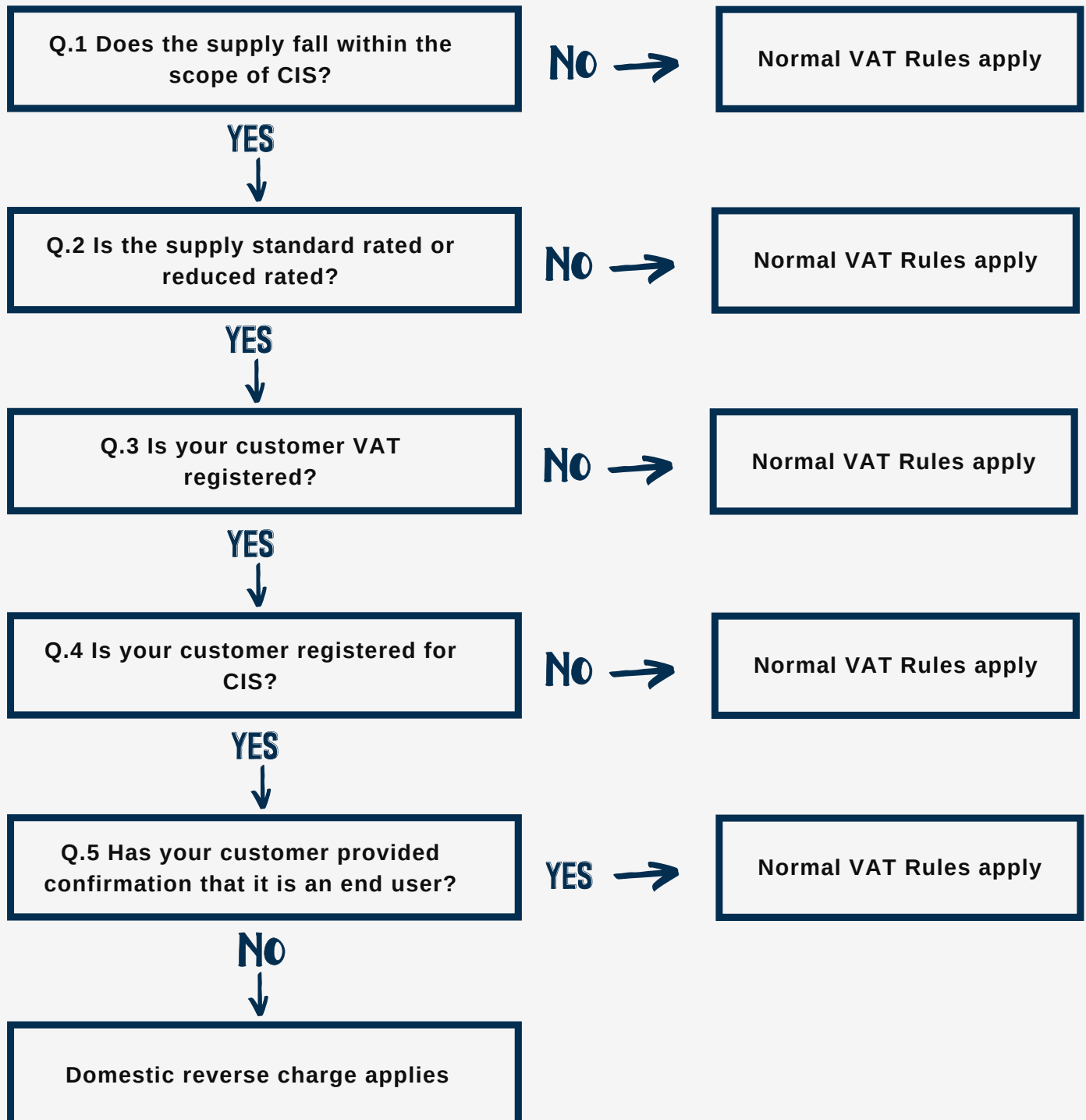
Do not use the charge for the following services, when supplied on their own:

- drilling for, or extracting, oil or natural gas
- extracting minerals (using underground or surface working) and 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 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



Suppliers flowchart

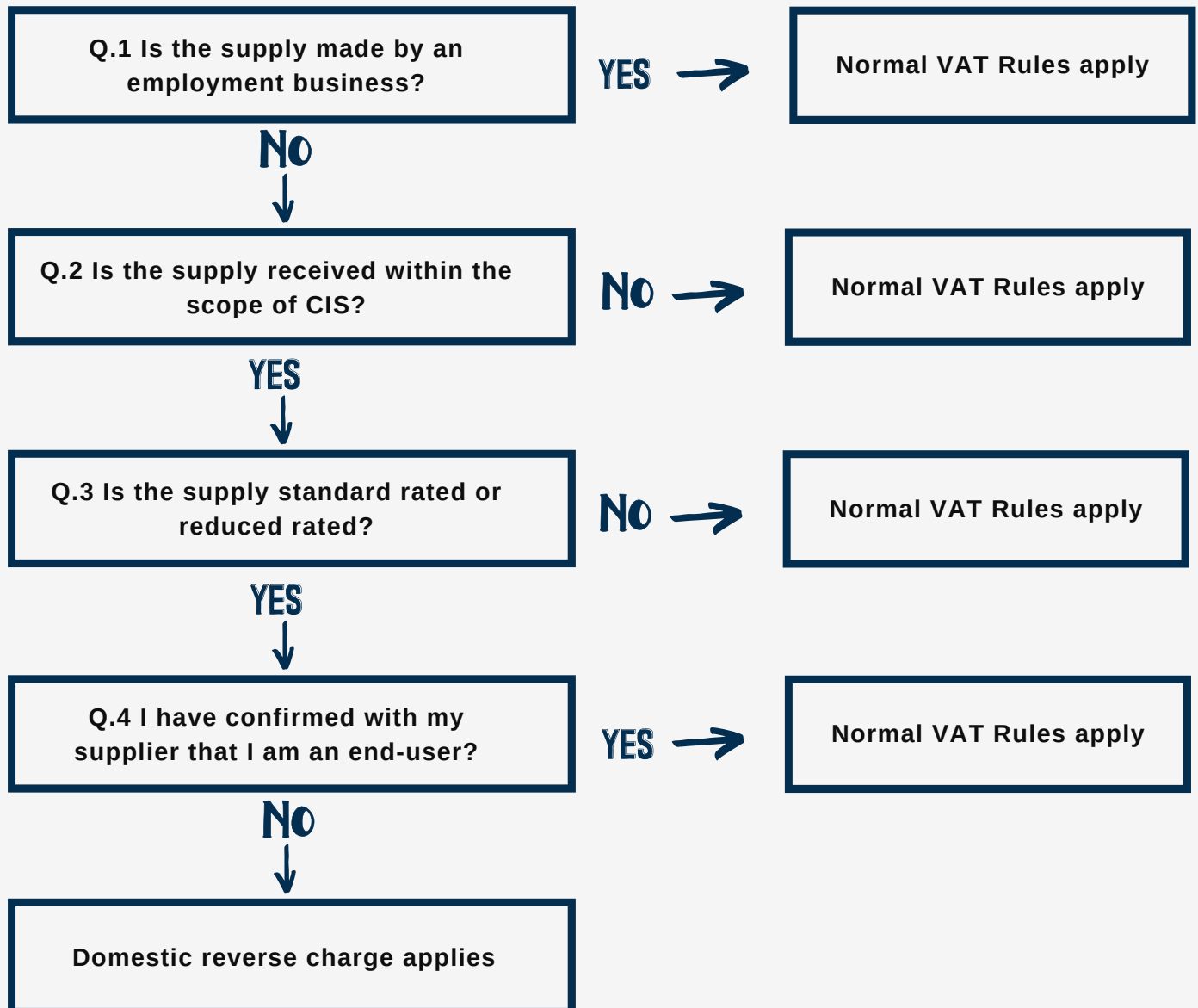
If you sell building and construction services, use this flow chart to help you decide if you need to use the reverse charge.





Buyers flowchart

If you buy building and construction services, use this flow chart to help you decide if you need to use the reverse charge.



Resources

- [CIS Helpline](#) / 0300 200 3210 (+44 161 930 8706 if outside the UK)
- [Check if your customer has a valid VAT number](#)
- Check your customer's [CIS registration](#)
- [VAT reverse charge technical guide](#)

If you still feel unclear about what changes directly impact your business and how to navigate them then it's best to seek professional advice.

We empower businesses to take control of the circumstances and succeed. If you need help doing this send us a message and we'll help you to understand what's relevant to your business.



Penney's Services

Bookkeeping

Maintaining accurate books on accounts payable and receivable, daily financial entries and reconciliations, including monthly financial reporting, general ledger entries and payments and adjustments.

Payroll and CIS

Assist with calculations and processing of salaries including payslips (weekly, fortnightly or monthly on Moneysoft, Xero or Sage online), RTI, CIS, Pension Contributions.

HMRC Self-Assessment

Provide us with the paperwork and information we need and we will submit your self-assessment tax returns on your behalf, on time.

Credit Control

Payments received on time by taking advantage of our credit control service.

Cash Flow Forecasts

Budgets and cash flow forecasting will help you to be aware of all company financial commitments, in advance, so you are able to plan for capital expenditure, VAT payments, peaks and troughs in seasonal workload, income and corporation tax payments.



Penney's Services

VAT Accountancy

Preparing, checking and submitting VAT returns. Ensuring your claim complies with HMRC guidelines. Advice on alternative schemes available such as cash accounting and flat rate schemes.

Management Accounts

Control and plan your business from a higher level by using our management accounting service. We will create reports that analyse achieved results against budgets, providing accounting ratio analysis measuring successful progress against goals.

Limited Company Year End Accounts

Limited company accounts, get help to maximise your tax efficiency and get guidance on business plans.

Advisory Services

Ad-hoc advice and support, basic software training and speaking to HMRC on your behalf.

Company Secretarial

Administrative support for all Companies House tasks, including completion and filing of your Confirmation Statement, change of address, directorship changes, share capital/allocation amendments.

Registered Office

Our address can be your Company Registered office, so we receive all your important documentation to ensure no vital filing deadlines are missed.

