

# Training and Guidance on Reverse Charge VAT for Construction Businesses

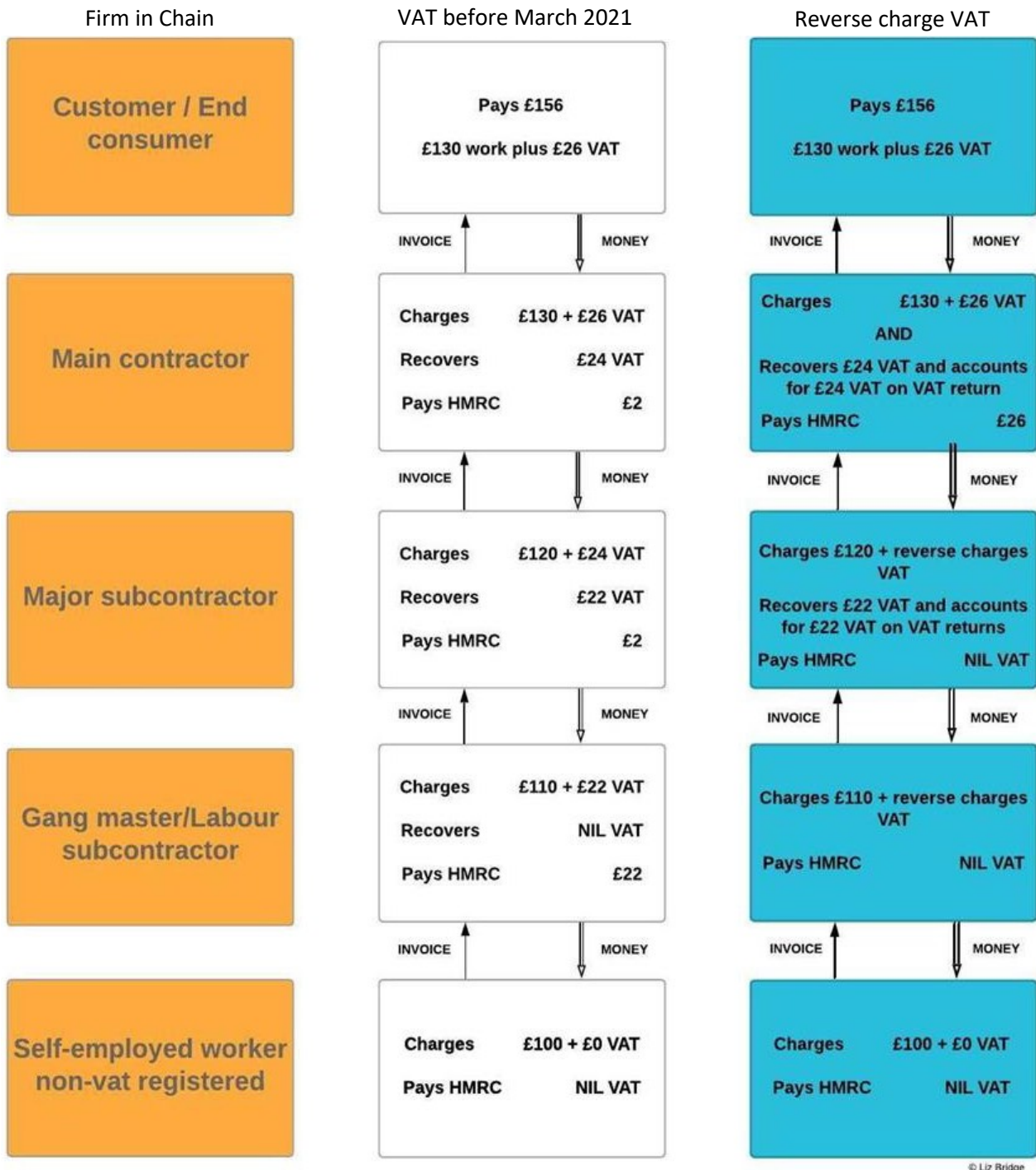
## February 2021

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## APPENDICES

## APPENDIX 1

### HOW REVERSE CHARGE WILL AFFECT THE WAY MONEY FLOWS IN THE INDUSTRY



## APPENDIX 2

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### DEFINITIONS & ACTIVITIES

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**ANNEX A:** HMRC'S CORE DEFINITION OF "CONSTRUCTION SERVICES" – THIS IS THE SAME WORDING AS USED FOR CIS:

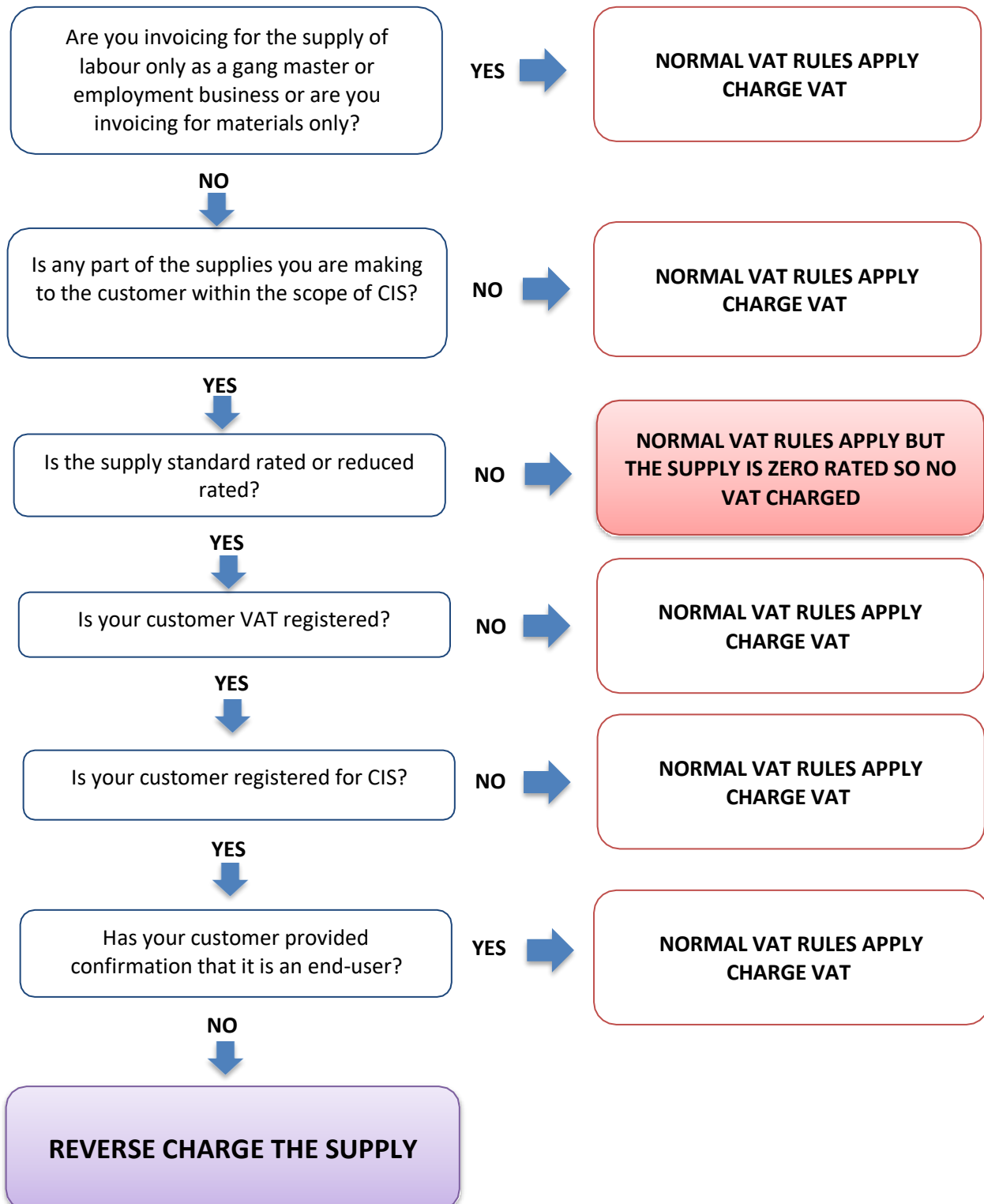
- a) construction, alteration, repair, extension, demolition or dismantling of buildings or structures (whether permanent or not), including offshore installations.
- b) construction, alteration, repair, extension or demolition of any works forming, or to form, part of the land, including (in particular) walls, roadworks, powerlines, electronic communications apparatus, aircraft runways, docks and harbours, railways, inland waterways, pipelines, reservoirs, water mains, wells, sewers, industrial plant and installations for purposes of land drainage, coast protection or defence.
- c) installation in any building or structure of systems of heating, lighting, air-conditioning, ventilation, power supply, drainage, sanitation, water supply or fire protection.
- d) internal cleaning of buildings and structures, so far as carried out in the course of their construction, alteration, repair, extension or restoration.
- e) painting or decorating the internal or external surfaces of any building or structure.
- f) services which form an integral part of, or are preparatory to, or are for rendering complete, the services described in paragraphs (a) to (e), 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.

**Annexe B:** THIS IS HMRC'S LIST OF ACTIVITIES WHICH ARE NOT IN THEMSELVES CONSTRUCTION SERVICES, BUT ARE TREATED AS CONSTRUCTION SERVICES IF THEY ARE PROVIDED IN A PACKAGE WITH SERVICES LISTED IN ANNEX A:

- a) drilling for, or extraction of, oil or natural gas.
- b) extraction (whether by underground or surface working) of minerals and tunnelling or boring, or construction of underground works, for this purpose.
- c) manufacture of building or engineering components or equipment, materials, plant or machinery, or delivery of any of these things to site.
- d) manufacture of components for systems of heating, lighting, air-conditioning, ventilation, power supply, drainage, sanitation, water supply or fire protection, or delivery of any of these things to site.
- e) the professional work of architects or surveyors, or consultants in building, engineering, interior or exterior decoration or the laying-out of the landscape.
- f) the making, installation and repair of artistic works, being sculptures, murals and other works, which are wholly artistic.
- g) signwriting and erecting, installing and repairing signboards and advertisements.
- h) the installation of seating, blinds and shutters.
- i) the installation of security systems, including burglar alarms, closed-circuit television and public address systems.

## APPENDIX 3

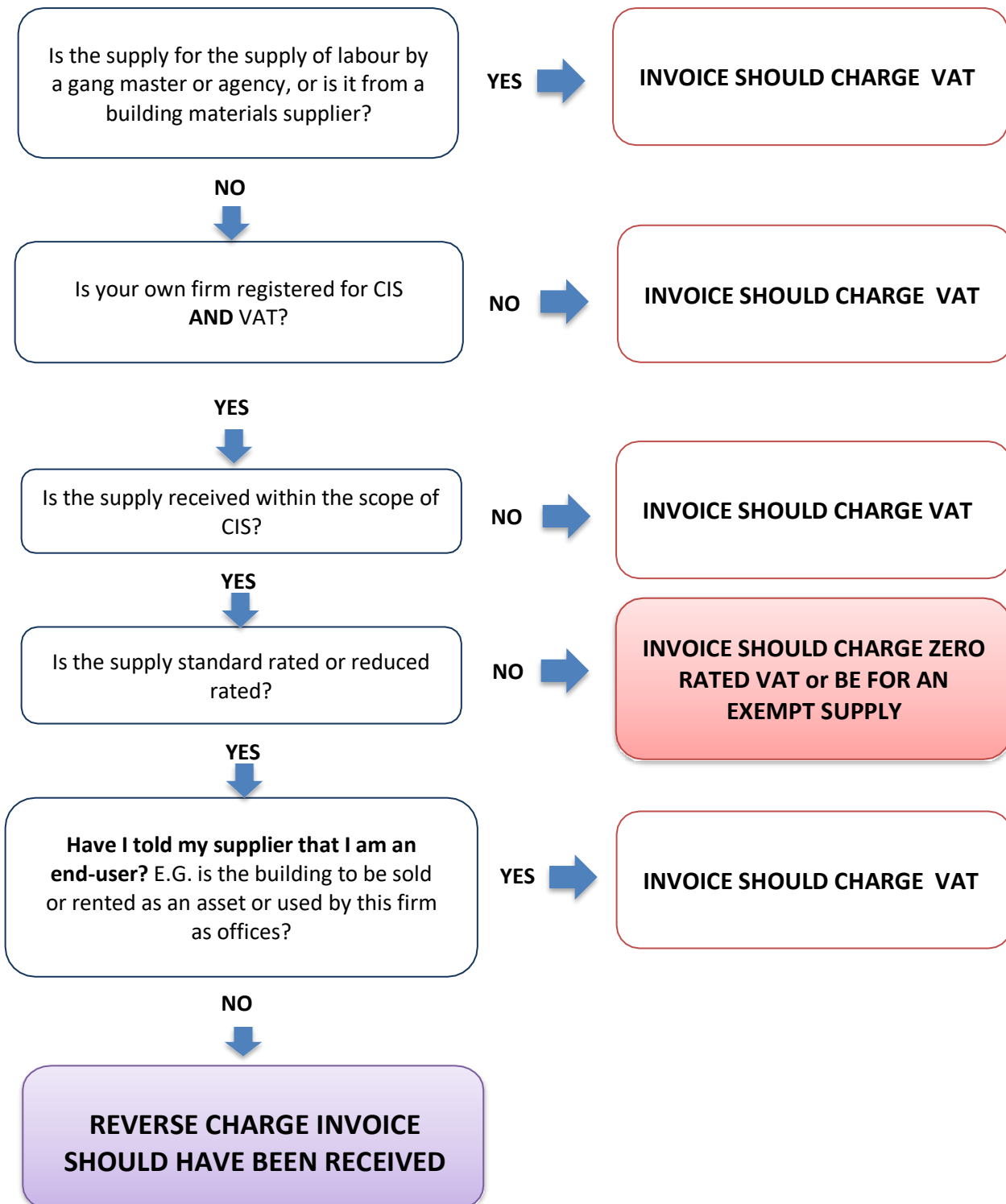
### SENDING OUT THE CORRECT INVOICE? NORMAL OR REVERSE CHARGE?



## APPENDIX 4

### CHECKING AN INCOMING INVOICE

This chart is to help businesses receiving an invoice or an application for payment to check whether it is correct in charging VAT or reverse charging.



## APPENDIX 5

### SALES INVOICE

INVOICE				
To: Main Contractor		From: Sub-contractor Address:		
Address:		Supplier VAT Reg. No:		
Customer VAT Reg. No:				
Invoice No:				
Invoice Date:				
Description	Net £	VAT Rate	VAT £	Gross £
Construction of new housing	200,000	0%	0	200,000
Supply of ovens/hobs in new housing	20,000	20%	Domestic Reverse Charge Applies	20,000
Construction of retail premises	100,000	20%	Domestic Reverse Charge Applies	100,000
Non-residential to residential conversion	150,000	5%	Domestic Reverse Charge Applies	150,000
<b>TOTAL</b>	<b>470,000</b>		<b>Payable</b>	<b>470,000</b>
<p><b>Customer to account to HMRC for the reverse charge output tax on the VAT exclusive price of items marked 'reverse charge' at the relevant rate as shown above. S55A VATA 1994 applies.</b></p> <p><b>Standard Rate Output VAT subject to a reverse charge: £24.000</b>  <b>Reduced Rate Output VAT subject to a reverse charge: £7,500</b></p>				

## APPENDIX 6

Example pre- and post- 1st March 2021 for the customer and supplier

	Transactions not under reverse charge		Transactions under reverse charge	
Subcontractor (Invoice issuer)	Box 1	£20	Box 1	£0
	Box 6	£100	Box 6	£100
Contractor (Invoice receiver)	Box 4	£20	Box 1	£20
	Box 7	£100	Box 4	£20
			Box 7	£100