



“friendly expertise”

## VAT reverse charge on construction services

### A guide for main contractors & subcontractors

From 1 March 2021, HM Revenue and Customs is introducing a reverse charge on certain construction services supplied in the UK. This means that, in parts of the construction services supply chain, VAT is not charged by the supplier but is accounted for by the recipient under the reverse charge mechanism.

For the background to this change, please see our other leaflet called VAT and the reverse charge on Construction Services – Why has it been introduced and how does it work in general? This leaflet covers VAT and the reverse charge on Construction Services for main contractors & subcontractors.

#### Main Contractors

If you are acting as a main contractor for a developer or owner and the supplies of construction services made by you would be taxed at 5% or 20%, your supply to the owner/developer will be subject to those rates as is the case now.

Therefore, if your contract is to build an office block for a developer, D, you will still charge 20% VAT on the supplies that you make.

You will need to ask the developer/owner if they (or a connected intermediary) are an “End User”. The End User must provide you with a certificate stating that they qualify. This is a legal requirement. The wording for this certificate is:

**“We are an end user for the purposes of section 55A VAT Act 1994 reverse charge for building and construction services. Please issue us with a normal VAT invoice with VAT charged at the appropriate rate. We will not account for the reverse charge.”**

This should be your confirmation that the reverse charge will not apply. If your customer gets this wrong, HMRC expects them to notify you as a supplier that the treatment is incorrect so that you may correct it.

However, if you subcontract elements of the contract to other suppliers, you will need to operate the reverse charge on the supplies of construction services made to you. This is because you are making an onward supply of those services to the developer.

You are responsible for ensuring that your sub-contractors are VAT registered in order to apply the reverse charge on supplies made to you. Part of this exercise should be to check the VAT number(s) provided by your sub-contractors. You can check single VAT numbers [here](#). If you have a large number of sub-contractors, you may want to save time and we have a bulk VAT number checker which will carry out the checks automatically in the background, allowing you to get on with other matters. There is a small fee of £10 + VAT per month to use the software. The software also bulk checks VAT registration numbers in EU countries as well, should you need that for other supplies.

#### Subcontractors

Subcontractors will be affected by the reverse charge both upstream to their customers and downstream from their suppliers.

For example, Subcontractor E supplies construction services to a main contractor C relating to the construction of an office building. E subcontracts some of the work to another builder F.

In this scenario, F would not charge VAT to E. However, E would need to account for VAT on the value of F’s services. E would then not charge VAT on its supply to C and C would need to account for the reverse charge on the value on the supply by E.

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