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VAT reverse charge on construction services

A guide for developers and owners

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 the implications for property developers and owners.

Developers and owners are, by and large, not affected by the reverse charge as they will not be supplying construction services to another person. In this respect, they are the final consumer and any supplies to them will be subject to the normal VAT rules and rates and they are known as “End Users” for the purposes of the reverse charge. However, often these “End Users” are often registered for CIS as mainstream or deemed contractors because they carry out construction or because the value of their building purchase exceeds the CIS threshold.

Intermediaries of “End Users” are also excluded from the reverse charge. These intermediaries include members of the same corporate group, joint owners of land, landlords, lessors, licensors, tenants or licensees, utilities providers, retailers (with property portfolios) and public bodies.

If you are unsure who is the end user or an intermediary for an end user, you should ask your customer if they consider themselves to be one. If they are, you will need to charge VAT in the normal way.

If you are the “End User” it is a legal requirement to provide a certificate to your contractors to evidence that you are an end-user. 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.”

HMRC expects the customer to get this right. If the

treatment is incorrect, HMRC will expect you to notify your supplier and have the VAT treatment corrected accordingly.

For example, if you are an “End User” but did not realise it, you will be expected to notify your supplier(s) and notify them that the treatment has been incorrectly subjected to the reverse charge and that the supplier will need to issue a revised invoice showing the correct VAT to be charged.

In addition, if there are some services supplied in the course of construction of a RRP or RCP building which do not qualify for zero-rating and are not being incurred by the person that will use the buildings, the owner or developer may not be an “End User” and may be caught by the reverse charge. Advice should be sought before agreeing pricing etc.

For example, A owns a plot of land upon which a number of houses, a pub and a village hall will be constructed. It is engaging a contractor to build and manage the project. The village hall will be operated and used by a charity. The charity can issue a certificate to the developer to zero-rate the main construction, but if there are parts of the building that do not qualify for zero-rating e.g. landscaping services, A will be making an onward supply of those services to the charity and will need to operate the reverse charge on the supply by the contractor for this element.

Should your supplies be caught by the reverse charge (for example as per the study above), 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.”

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