



BIRMINGHAM CRANE HIRE COMPANY
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4th February 2021

Introduction of VAT domestic charge for building and construction services

As valued customer of Birmingham Crane Hire Company we would like to let you know of change to way VAT on supplies within the building and construction services sector will be collected in the future.

Overview

With effect from 1 March 2021, HMRC have announced the introduction of VAT domestic reverse charge for supply of building and construction services. This will apply to supplies at standard or reduced rates of VAT where payments are required to be reported through the Construction Industry Scheme (CIS) and the customer is registered for VAT. For guidance on supplies that are within the scope of CIS please see HMRC publication CIS 340.

If you are not registered for CIS, the supply is deemed outside the scope for VAT domestic reverse charge and standard VAT rules apply.

Supplies between sub-contractors and contractors, as defined by CIS, will be subject to reverse charge unless they are supplied to a contractor who is an end user. End users will usually be recipients who use the building or construction services for themselves, rather than sell the services on as part of their business of providing building or construction services.

Implications for invoicing and VAT reporting

From 1 March 2021, for supplies that are subject to the VAT domestic reverse charge, sub-contractors will not charge VAT on supplies of building and construction services. Instead, the customer receiving the supply must account for the VAT due.

As an example, if a main contractor purchases VAT standard rate supplies valued at £1,000 (excluding VAT) from a sub-contractor:

- The sub-contractor will not charge VAT on their invoice, receiving the sum of £1,000 from the main contractor in payment for supply; and
- The main contractor will include output tax of £200 (ie: £1,000 x 20% VAT) in their VAT return submitted to HMRC. This VAT can be recovered as input tax on the same VAT return, subject to normal rules.

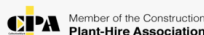
The sub-contractor in the above example must clearly state either the amount of VAT due under the domestic reverse charge on their invoice (ie: £200), or the rate of VAT, as well as annotating the invoice to make clear that the domestic reverse charge applies and that the customer is required to account for the VAT.

Other implications

Due to the change in which the company accounts for VAT, there may be cash flow implications to be considered. Updates may also be required to accounting systems in order to be able to process reverse charge supplies.

Director: M. Weatherson

Registered No.: 1541227 England. Registered Office 25 Birch Road East, Witton, Birmingham, B6 7DA





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VAT treatment of Birmingham Crane Hire Company supplies

Birmingham Crane Hire Company believes, as default, that the nature of our supplies is within the scope of CIS. We therefore expect the domestic reverse charge to apply, unless you are the end user of the supply of the nature of specific work completed falls outside the scope of CIS.

End users are those who receive building or construction services, within the scope of CIS, but do not supply those services on along with other building and construction services. Under the VAT domestic reverse charge policy, it will be up to the end user to make the supplier aware that they are an end user and that VAT should be charged in the normal way instead of being reverse charged. If an end user does not provide confirmation of its end user status it will still be responsible for accounting for the reverse charge.

If you are registered for CIS and are the end user of supply from Birmingham Crane Hire Company, you must therefore inform us of this in writing that is clearly understood and can be retained for future reference.

Please address any correspondence to:

Birmingham Crane Hire Co Ltd
25 Birch Road East
Witton
Birmingham
B6 7DA

Or e-mail us at: info@birminghamcranehire.co.uk

HMRC have provided the following example of suitable wording:

“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.”

Further information

HMRC have published a guidance document “VAT: domestic reverse charge for building and construction services”, which is available on the gov.uk website here:

<http://www.gov.uk/guidance/vat-domestic-reverse-charge-for-building-and-construction-services>

Yours faithfully,

M. Weatherson
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