



Reverse charge rules for construction services

ARE YOU AFFECTED?



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What's changing?

The way that VAT is charged on construction services which are supplied on or after 1st October 2019 is changing and this is going to have a widespread impact on the construction sector.

Lost revenue due to missing trader fraud (construction businesses charging VAT to customers and then disappearing before paying it over to HMRC) is the reason behind this significant change.

These rules will apply to all construction services, even if construction is not the main business activity.



How will the new rules work?

Under the new rules, businesses that supply construction services will not charge VAT to their customer if that customer is:

- a. VAT registered; and
- b. Will use the services to make an onward supply of construction services – ie. They are not the *end user*.

Instead, the recipient of the service must apply reverse charge accounting, ie. self-account for the VAT. This will mean that the customer will be liable for the VAT on purchases, rather than the supplier and will be required to report this VAT to HMRC through their VAT returns.

Need further guidance?

If you feel you could be affected by this change, or would like to discuss the new requirements further, please contact us – info@orleighfox.co.uk

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