

Domestic Reverse VAT Charge for Building and Construction Services – [11/06/2020]

Introduction

The Tax Centre of Excellence (CoE) is a central resource for departmental tax advice and services available to government departments. Further information on the Tax CoE can be found at the [Tax CoE website](#).

This is additional information to help better understand the domestic reverse VAT charge for building and construction services. The information on these pages does not replace or modify HMRC's own guidance which is available on gov.uk.

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1. What is the domestic reverse VAT charge for building and construction services?

This is a change on how VAT due on building and construction services will be collected by HMRC. Normally the supplier would charge the applicable VAT rate on the invoice given to the customer and pay it over to HMRC. Now the VAT due on such supplies would be charged by the customer to themselves (self-charged) and paid over to HMRC, hence why it is called the reverse charge.

This change only applies to certain customers depending on how they use the supplies and the exact nature of the supplies. Please see section three for the exact types of services covered under this reverse charge.

Even if you do procure the types of services covered under this reverse charge, you are unlikely to be affected by the change, as normally public-sector bodies do not make onwards supplies of building and construction services, but please see section two to confirm.

The new measure comes into effect on the 1st March 2021 (pushed back from 1st October 2020) and was introduced to counter organised VAT fraud in the building and construction service industry.

2. Who falls within this new measure?

Those who procure building and construction services (please see section three for definition) and makes onwards supplies of such services will need to carry out this reverse charge - unless you are classified as an 'end user' or 'intermediary user'.

Where you are the end user or intermediary user of the supplies, then you do not need to carry out this reverse charge and should be invoiced as normal by your suppliers – you must notify your suppliers in writing if this is the case. Below are definitions of end user and intermediary user.

End user

An end user is an organisation which procures building and construction services for their own internal use and does not make any onwards supplies to third parties of any building and construction services. In this case you do not fall under this reverse charge.

Intermediary user

An intermediary user is an organisation which procures building and construction services and makes onwards supplies of such building and construction services, but to persons who share a 'relevant interest' in the land for which the services are being procured for.

A relevant interest refers to an occupancy agreement (i.e. lease/licence to occupy) that may be in place between the organisation which procures the building and construction services, and the third party who the organisation makes an onwards supply to. In such cases you are an intermediary user and do not fall under this reverse charge.

Most public-sector bodies will fall under the two groups mentioned above.

Notifying suppliers of end user or intermediary user status

As part of an amendment to delay the implementation of this measure, published in the [HMRC Policy paper Brief 7 \(2020\)](#), there is an additional requirement for end users and intermediary users to notify their suppliers of their end user or intermediary user status in writing.

3. What exactly are ‘building and construction services’?

The general rule is that if you report services through the Construction Industry Scheme (CIS), then these services are considered building and construction services for the purposes of this reverse charge.

A list of services included in, and excluded from this reverse charge can be found in the [HMRC domestic reverse VAT charge for building and construction services guidance](#).

4. How does this work in practice?

If you are not an end user or intermediary user and you do make onwards supplies of building and construction services as defined in section three, then you will be affected by this new reverse charge - this section provides an outline on how to apply this new reverse charge.

You may be familiar with the VAT reverse charge for supplies procured from overseas suppliers – this reverse charge works in the same way in terms of accounting. The customer will be expected to declare Output VAT on their VAT return at the applicable rate depending on the nature of the supply, and if able, recover the self-charged VAT either as a business activity, or under the COS Headings/another public-sector VAT refund privilege.

For further guidance on how to operate this new reverse charge (if you are subject to it) please refer to the HMRC guidance on this topic linked in the previous section.

For guidance on the different VAT rates that could apply to building and construction services please refer to [VAT Notice 708](#).

If you have any questions regarding this document, or would like further assistance from the Tax CoE, please [email the Tax CoE inbox](#).