VAT: domestic reverse charge for construction and building services – what is happening during the deferral period?

Indirect Tax

01 January 2020

HMRC announced in Revenue and Customs Brief 10/ 19 that there would be a one year deferral of the introduction of the domestic reverse charge on construction services, which will now commence from 1 October 2020. In the meantime, HMRC are focusing on raising business awareness and enhancing the guidance. The CIOT, along with other professional bodies and industry, is represented on the stakeholder consultation group.

In the last stakeholder meeting with HMRC in November, attendees considered the arising action points:

Raising awareness

HMRC's awareness raising activities will include:

- Letters will be sent to around 250,000 VAT registered businesses identified as being likely to be affected by the new rules. They are anticipated to be sent out before the end of January;
- Running webinars: these had proven to be popular in the run up to the original launch date of 1 October 2019, so the content will be updated and there will be a webinar programme running in 2020 up to 1 October 2020; and,
- Meeting with various building sector representative bodies to discuss preparedness and plans.

Guidance

It is anticipated that updated guidance will be available in early 2020. Stakeholders discussed several areas where they would like to see updates including:

- end users: helping people to understand what it means and the arising obligations;
- identifying whether the taxpayer is an intermediary or not;
- overseas contractors: information for international supply chains;
- definition of employment businesses and how to identify them; and
- ensuring that labour only supplies falling outside of the employment businesses rules are subject to the domestic reverse charge.

It was discussed whether specific sectors may require more targeted guidance (for example, local authorities, small businesses) and this will be given further consideration by HMRC.

Gov.uk

Representatives suggested that the landing page on gov.uk for the domestic reverse charge should have weblinks to relevant VAT and construction industry scheme (CIS) guidance to assist taxpayers with complying with the rules; for example, being able to check a CIS status and access VAT decision making flowcharts from the same starting point.

HMRC helpline

HMRC are considering how to channel queries received by the helpline as the taxpayer query may relate to CIS, VAT or a combination of both. Officers may need to transfer calls between departments.

Next steps

The next stakeholder meeting is likely to be in February or March. If you have feedback on raising awareness or guidance for the domestic reverse charge, please contact jsimpson@ciot.org.uk.