



**Torgersens**  
CHARTERED ACCOUNTANTS

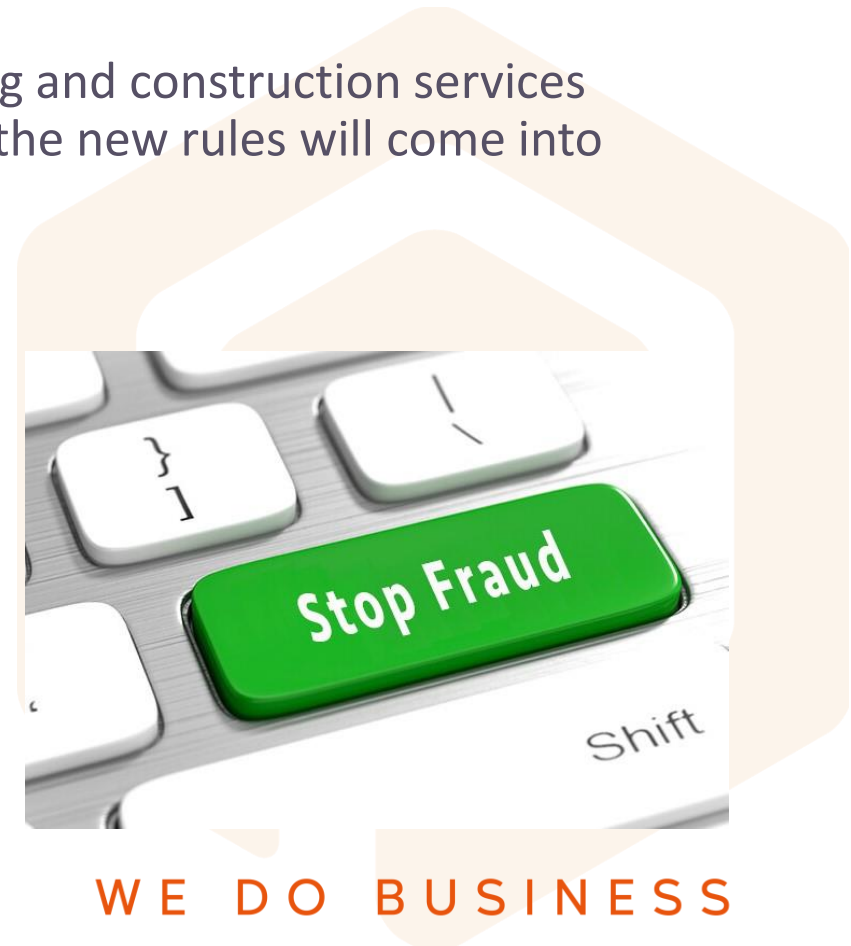
**VAT: Reverse charge for building and  
construction services  
1 March 2021**

## Background

The 2018 budget introduced a VAT reverse charge on certain building and construction services that was due to take effect from 1<sup>st</sup> October 2019. After two delays the new rules will come into force on **1 March 2021**.

## Purpose

- This is an anti-fraud measure
- HMRC is concerned about 'missing trader' VAT fraud
- Organised criminal gangs fraudulently take over or create shell companies to 'steal' VAT whilst operating alongside actual construction services



## Who will be affected?

Builders, contractors, trades associated with the building industry:  
Construction, alteration, repairs, demolition, installation of utilities systems, erection of scaffolding, civil engineering works (including site clearance, excavation etc.)

### Excluded

Professional services, consultancy, decoration, landscaping



## How it will work?

Only applies to construction businesses which make a further supply of building services, and **not to end users**. An end user accounts for VAT in the usual way, normal rules apply. It may not be obvious if end user status applies so please check with your Torgersens contact.

- Main contractor will account for the VAT on any services of a subcontractor
- The supplier (subcontractor) does not invoice for VAT
- The main contractor shows the supplier's VAT as both output and input tax on its VAT return



## What about mixed supplies?

- The reverse charge applies to the whole supply
- Not applicable to zero rated supply
- Applies to 5% and 20% rates only

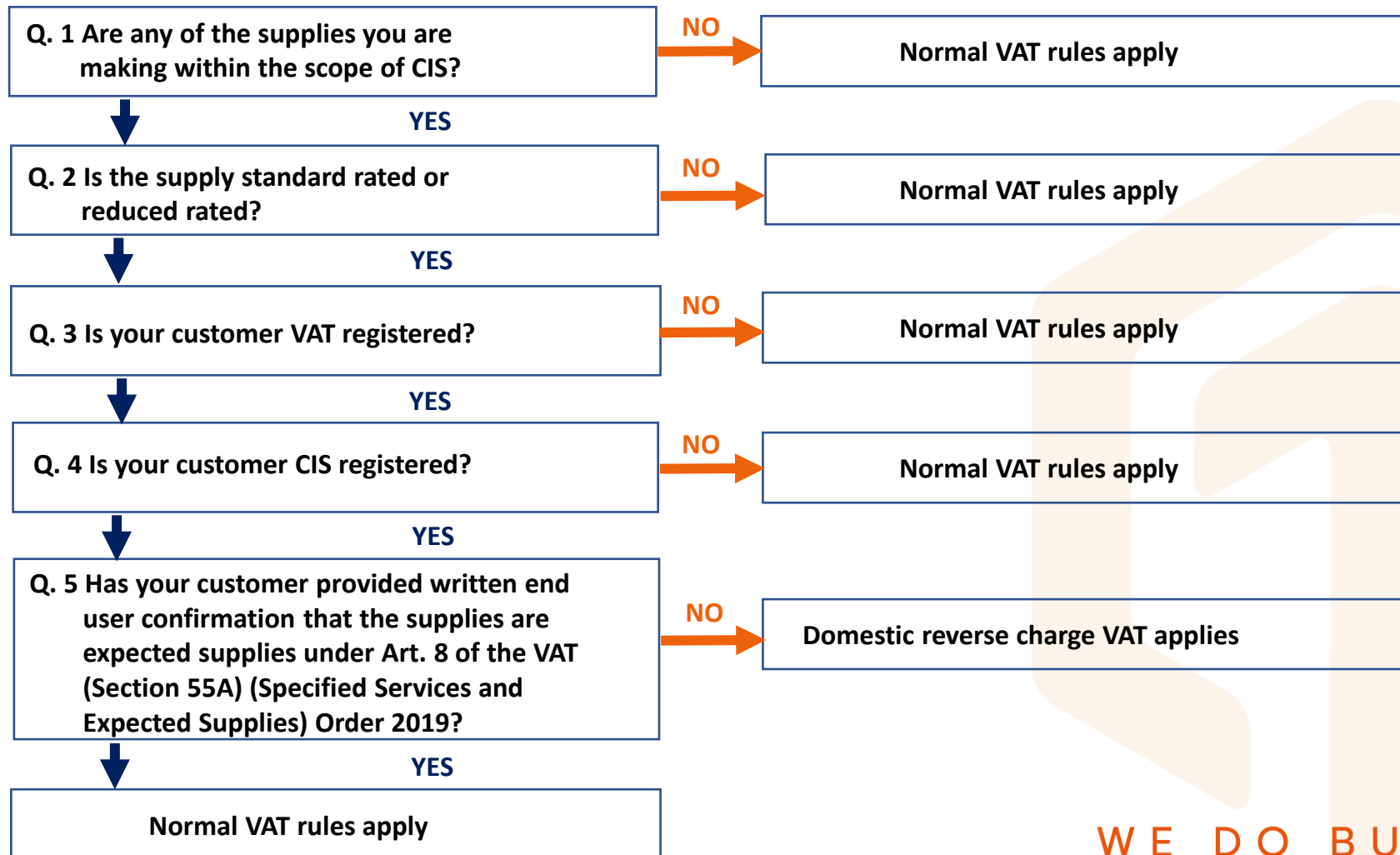
## How about projects that straddle 1 March?

- The new rules can't apply before 1 March 2021
- For invoices raised in respect of projects ongoing on this date, [tax point rules](#) will need to be considered.
- If the tax point is before 1 March, normal VAT rules will apply
- If on or after 1 March, the new rules will need to be considered



# VAT: Reverse charge for building and construction services

Answer these questions to determine whether the VAT reverse charge applies in your situation



# Further information and questions

Torgersens' blog: [VAT for reverse charge looming](#)

Government Technical Guide:  
[Check when you must use the VAT reverse charge for building and construction services](#)

We appreciate that this is a complex area. Please call or email if you have any queries before or after 1 March.

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