

# Durham County Council: VAT Reverse Charging for Building and Construction Services

## **Confirmation of the Council's status as an end user**

New rules in respect of supplies between VAT registered businesses that are within the scope of the Construction Industry Scheme (CIS) take effect from 1 March 2021

The Council is classed as an end user for the purposes of section 55A The VAT Act 1994. Therefore, suppliers should continue to issue VAT invoices in the usual way, with VAT charged at the appropriate rate. The Council will not account for the reverse charge.

Further information in respect of the services within scope are detailed overleaf.

If you have any queries in respect of this matter, please contact our Payments and Expenditure team – [creditors@durham.gov.uk](mailto:creditors@durham.gov.uk).

## Which services are affected by VAT reverse charge?

HMRC specifies that the following services are those subject to the reverse charge:

- constructing, altering, repairing, extending, demolishing or dismantling buildings or structures (whether permanent or not), including offshore installation services;
- constructing, altering, repairing, extending, demolishing of any works forming, or planned to form, part of the land, including (in particular) walls, roadworks, power lines, electronic communications equipment, aircraft runways, railways, inland waterways, docks and harbours, pipelines, reservoirs, water mains, wells, sewers, industrial plant and installations for purposes of land drainage, coast protection or defence;
- installing heating, lighting, air-conditioning, ventilation, power supply, drainage, sanitation, water supply or fire protection systems in any building or structure;
- internal cleaning of buildings and structures, so far as carried out in the course of their construction, alteration, repair, extension or restoration;
- painting or decorating the inside or the external surfaces of any building or structure;
- services which form an integral part of, or are part of the preparation or completion of the services described above - including site clearance, earth-moving, excavation, tunnelling and boring, laying of foundations, erection of scaffolding, site restoration, landscaping and the provision of roadways and other access works.

Professional services, such as those provided by an architect, are excluded from the reverse charge rules. Employment businesses that supply workers are outside the scope of the rules, as they are supplying staff not construction services.

The rules will however apply to any materials supplied by a subcontractor as part of their work.

The rules only apply to supplies between VAT-registered businesses that are within the scope of the Construction Industry Scheme. Broadly, this means that most supplies between subcontractors and contractors will be affected. HMRC has published a technical guide for information.

The rules apply when the answer is yes to the following questions:

- Are any of the supplies you are making within the scope of the CIS?
- Is the supply either standard or reduced-rated?
- Is your customer VAT registered?
- Will your payment be reported under CIS?
- Are you sure the customer is not an end user?

For more guidance on the reverse charge procedure for construction and building services please refer to the HMRC link below:

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