

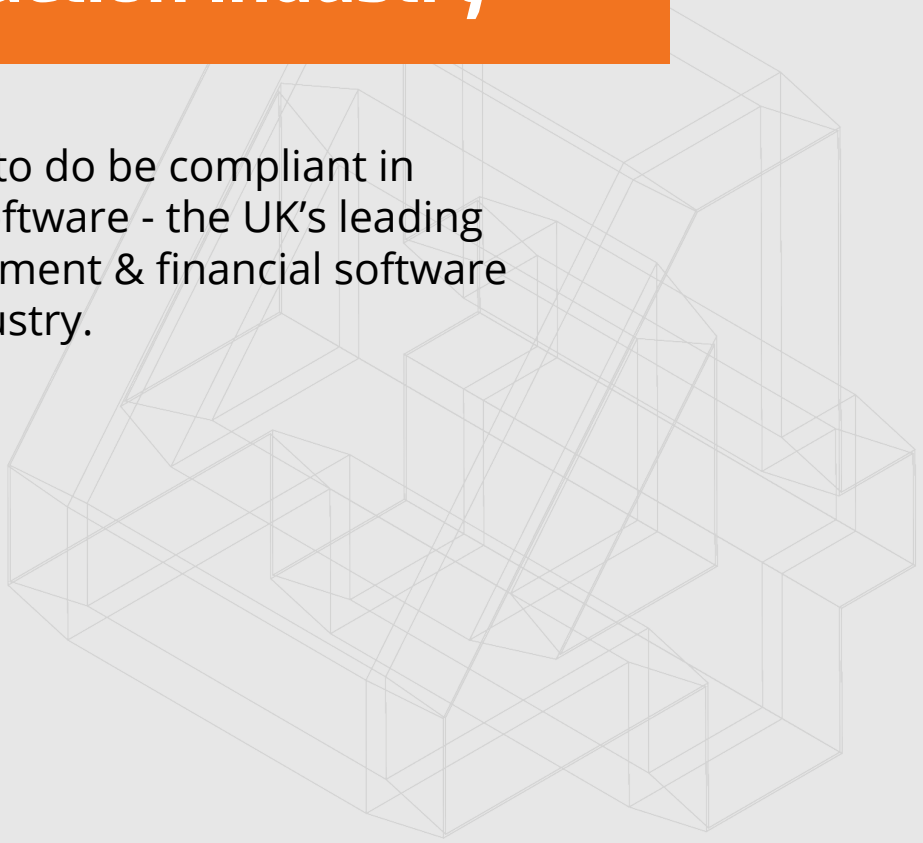


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Reverse Charge VAT

What it means for the Construction Industry

Find out what you need to do be compliant in this guide by Integrity Software - the UK's leading provider of cost management & financial software for the construction industry.



What is in this guide?



About Us	3
What is Reverse Charge VAT?	4
How this could affect you	5
What you need to do now	6
What supplies will Reverse Charge VAT cover?	7
Completing VAT return entries	8
How can our software help?	9
Book a demo	10

1st Mar 2021

Make sure you're ready for the new Reverse Charge VAT rules which are being introduced by HMRC in March 2021.

About Us



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Construction industry focus and experience

Here at Integrity Software we have a long track record of providing solutions into the construction market spanning over 40 years.

With more than 1,000 customers across the UK and Ireland using our construction-specific cost management and financial software Evolution Mx (previously Mardak) and Evolution.

Part of the JDM Technology Group

With companies across the globe, JDM have a customer base of more than 4,000 construction businesses employing more than 250 staff. Their global reach is unparalleled in the construction software industry.

Why this guide?

From talking to our customers we have recognised there is still very little known about the impending Reverse Charge VAT rules coming into place in March 2021.

We have created this guide for both our customers and peers in the construction industry to spread the word and prepare businesses for the changes.

1,000

The number of customers using our construction-specific software across the UK and Ireland.

What is Reverse Charge VAT?

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From 1st March 2021 significant changes are being introduced to the VAT treatment of suppliers within the construction industry.

Why the change?

These changes are designed to prevent fraud where suppliers charge and collect VAT without handing it over to HMRC. It's estimated the Exchequer loses £100m per year to VAT fraud.

What is changing?

From 1st March 2021, customers rather than suppliers will need to account for VAT.

What does this mean?

Once the new rules are in place, certain customers/contractors will be liable to account to HMRC for VAT in respect of those purchases rather than the supplier (the 'reverse charge').

Currently a subcontractor is responsible for paying VAT to HMRC on supplies to main contractors.

An equivalent VAT deduction can also be claimed by the main contractor subject to the normal rules of VAT recovery.

There is a planned 3 month transition period where contractors can still pay invoices with VAT dated before 1st March on the current VAT rules, and the same is true of payment for works Certified before 1st March 2021.

£100m

The amount the Exchequer estimates is lost to VAT fraud within the UK construction industry every year.

How this could affect you



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How will this affect construction businesses?

There has been concern over how this will affect the cash flow of some construction businesses, with one company already ceasing trading and blaming VAT changes.

However, HMRC state the changes will help level the playing field for businesses by ensuring that VAT fraud is removed from supply chains.

The impact on business administrative burdens is forecasted to be significant.

HMRC state as a result of the technical consultation, the legislation has been simplified to make the reverse charge only apply where the payment for the supply needs to be reported for CIS purposes.

All businesses involved in the construction industry should review their supply chains to consider how they will be impacted by the changes.

It is important to identify the categories of supplies which may be subject to the new “reverse charge” rules and update accounting systems accordingly - see our flowchart on page 7 for more help on this.

Some businesses may also see significant variation in cash flow, as they will no longer be able to use VAT collected from customers as working capital before paying it on to HMRC. The impact on timeframes, invoicing, contracts and working capital of the suppliers should also be considered.

Work with subcontractors?

Most don't know about the impending changes, so it's worth getting in touch to make them aware.

What you need to do now



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What you need to do

Don't put it off any longer - 1st March 2021 will soon be here and your business needs to be ready for the changes.

1

Review any supplies made to and received from VAT registered contractors - decide whether these will be subject to the new reverse charge from March 2021

2

Get notification from customers that they are an end user along with confirmation of their VAT registration and CIS status

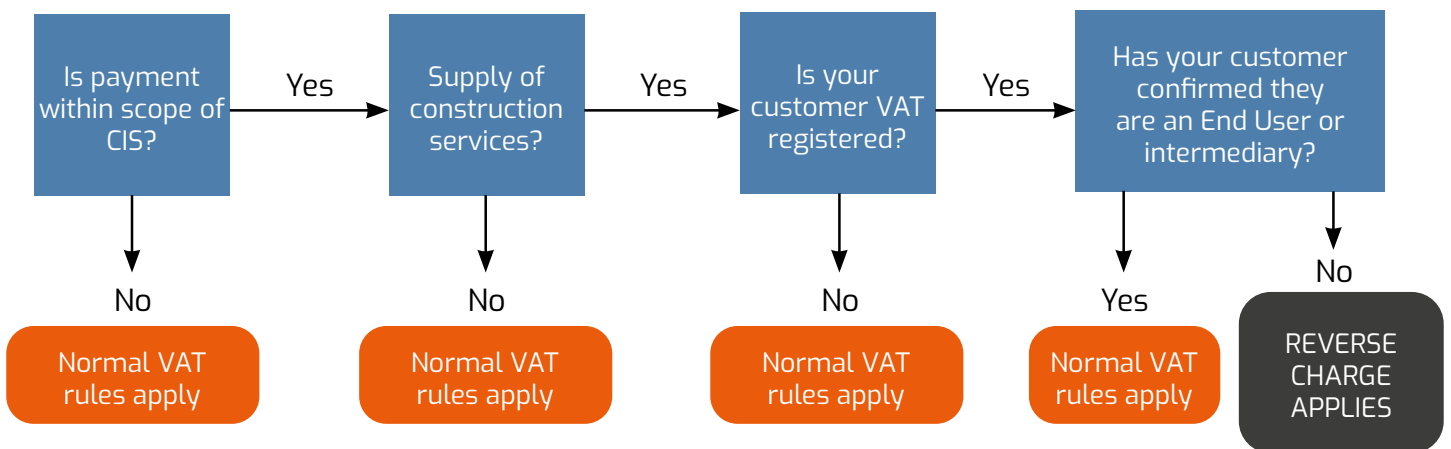
3

Think about any adaptation you will need to make to accounting systems - our customers can be confident that by using Evolution Mx they will be fully compliant with the new legislation

4

Think about the implications this will likely have on cash flow and decide if there are ways to mitigate this

What supplies will Reverse Charge VAT cover?



Using generic accounting software not built for construction?

If you don't currently use a construction-specific accounting system, then it might be useful to keep this flowchart handy so you can refer to it when processing invoices where the new Reverse Charge VAT rule could apply.



Stay compliant with Integrity

Our customers can rest assured that our software will make processing invoices quick and easy, ensuring they stay compliant.

Completing VAT return entries

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Advice from HMRC

Follow the below instructions provided by HMRC when it comes to completing VAT return entries when the new legislation comes into place in March 2021.

For customers...

Enter amount of VAT due in Box 1, as if it were a sale

Enter VAT amount reclaimed as input tax in Box 4

No entry in Box 6

Enter net value of purchase in Box 7

For suppliers...

No entry in Box 1 (VAT due on sales)

Enter net value of supply in Box 6

Making it easy

Our software will automatically report on Reverse Charge, easing the burden on you and your team.

How can our software help?



All of our construction-specific accounting software is **Reverse Charge VAT-ready**, along with encompassing the following features:

	Evolution Mx Lite	Evolution Mx Standard	Evolution Mx Enterprise
Purchase, Sales, Nominal & Cashbook	✓	✓	✓
Contract Costing	✓	✓	✓
Subcontractor Management	✓	✓	✓
CIS/RCT tax deductions calculated	✓	✓	✓
Document Management	✓	✓	✓
Sales Invoices & Applications	✓	✓	✓
Integrated Payroll - HMRC (UK) & ROS (ROI)	✓	✓	✓
Choice of template code libraries	✓	✓	✓
Purchase ordering (material & subcontract)	✓	✓	✓
Electronic Invoice capture		✓	✓
Business Analytics		✓	✓
Multi-company/currency		✓	✓
Plant (owned and hired in/out)		✓	✓
CVR (Cost Value Reconciliation)		✓	✓
Works Orders			✓
Stock Control			✓
Sales Orders			✓
Fixed Assets			✓
Mobile working			✓
Alerts, notifications and workflows			✓
Smart OCR - Invoice capture			✓



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Award-Winning Construction Management Solutions

Book a demo

Viewing this on your computer? [Click here to book a demo](#)

**Make sure you are ready for Reverse Charge VAT
on 1st March 2021.**

Contact us to book a free on-site demonstration of our range of construction specific cost management and financial software and we'll show you how easy it is to comply with the new rules using our award-winning software, Evolution Mx.

**Call 03453 40 30 40 (UK) or 01 620 5599 (IRE)
Alternatively, please email construction@integrity-software.net**