

Reverse Charge VAT

TEMPLACMS

Version: v.6



COMMERCIAL STATEMENT

This document is subject to any terms as per teamssoftware.com/legal.

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LEGAL REQUIREMENT

The VAT domestic reverse charge for construction services starts on Monday 1 March 2021.

The reverse charge applies to supplies from businesses to businesses where both the supplier and customer are VAT registered. The reverse charge will affect a business if:

- The business is registered for VAT
- The business supplies or receives services under the Construction Industry Scheme (known as CIS)

Where the reverse charge applies, the customer pays the VAT due directly to HMRC instead of paying it to the supplier.

If you make a mistake when trying to comply with the changes, HMRC is allowing a period of ‘light touch’ within the first six months of the new legislation, where errors will not be penalised. However, any errors should be corrected as soon as possible, as the longer under-declared or overcharged sums remain outstanding, the more difficult it may be to correct or recover them.

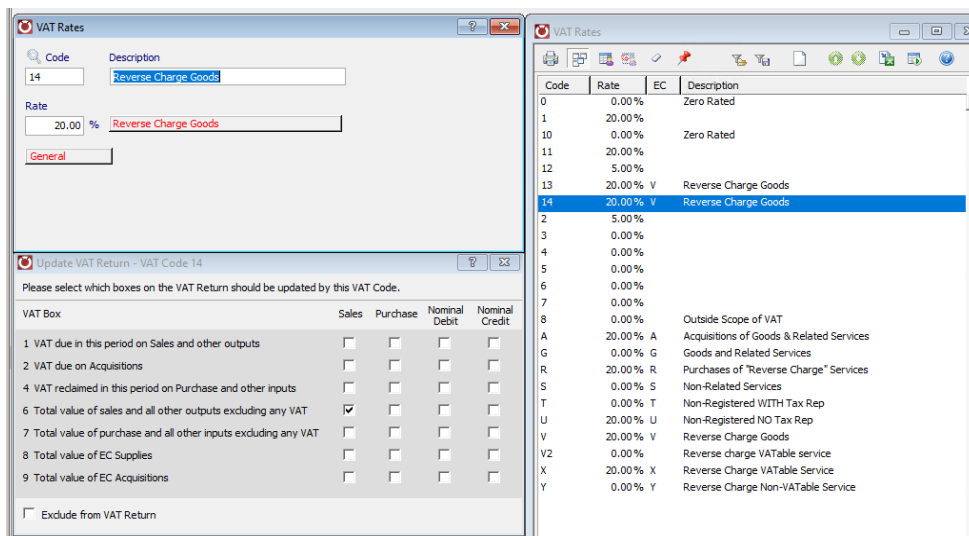
VAT ON SALES

Your customers will be paying VAT on your supplies directly to HMRC under the new changes therefore only the net value of supplies to these customers should be recorded in box 6 of the VAT return, i.e. no VAT accounted for in box 1.

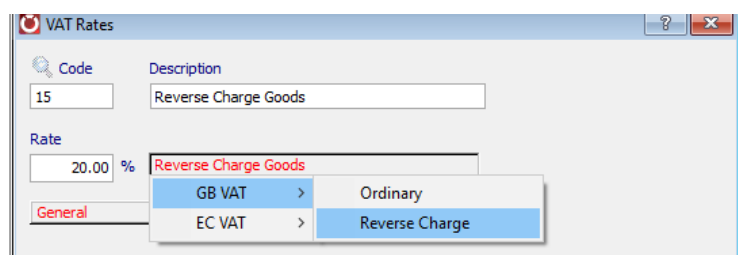
Dimensions

SET-UP A NEW REVERSE CHARGE VAT CODE

- From System Vat Rates click on ‘Insert’ to create a new VAT code.



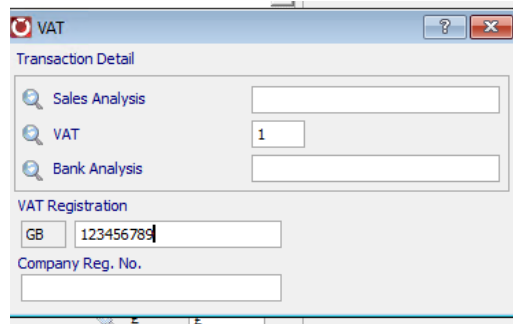
- Ensure the Code is a number – not a letter
- Enter a relevant description
- Enter the Rate as 20% and click on the box next to the rate and change the option to ‘Reverse Charge Goods’



RECORD CLIENT VAT REGISTRATION NUMBER

In order to use the Reverse Charge VAT codes for a customer, their VAT registration must be recorded on their record, as it will not be possible to use any of the Reverse Charge VAT codes if no VAT registration number has been entered.

- From **Debtors > Customers** select the relevant customer from the list then click on **Edit** and on the VAT icon:



- On the above screen enter the customers' VAT Registration number
- The default VAT code for the customer can be changed to the new reverse charge VAT code if all invoices for the customer are reverse charge

SALES INVOICE FOR REVERSE CHARGE VAT

On producing a sales invoice using the new Reverse charge VAT code in Access Dimensions, the invoice will show the following:

Your Ref	Account	Our Ref	Delivery	Type	Date	Number
9999	LB01	2		INV Page:1	25 FEB 21	34
Description	Quantity	Price £	Value £ *			
asdasdzs	1.00	700.00	700.00 13			
←-----£ VAT Analysis-----→						
Code	Rate	Supplies	VAT	Net £	700.00	
13	20.00	700.00	140.00 *	VAT £	0.00	
				Total £	700.00	
				Due By	25 FEB 21	
Customer to pay Output Tax of £140.00 to HMRC						

- The Net and VAT values will be the same
- The VAT Analysis details will show the customer a breakdown of the VAT amount that they are responsible for
- An additional message 'Customer to pay Output Tax of £xxx.xx to HRMC' will be printed below the VAT Analysis
- On the customer transaction record, the VAT amount will appear in the '£ Reverse VAT' column as opposed to the '£ VAT column' and the Net and Gross figures will be the same

Customer	Date	Period	Type	Batched	Header Ref.	Order No.	£ Net	£ VAT	£ Reverse VAT	£ Gross
LB01	3 FEB 21	C3	INV		TEST		1000.00			1000.00
LB01	10 FEB 21	C3	INV		11111		7000.00			7000.00
LB01	10 FEB 21	C3	INV		77777		7000.00			7000.00
LB01	24 FEB 21	C3	INV		9999		500.00			500.00
LB01	25 FEB 21	C3	INV		PPPP		1000.00			1000.00
LB01	25 FEB 21	C3	INV		555		500.00			500.00
LB01	25 FEB 21	C3	INV		IIII		400.00		80.00	400.00
LB01	25 FEB 21	C3	INV		34	2	700.00		140.00	700.00
LB01	25 FEB 21	C3	INV		A999		700.00		140.00	700.00
Totals for 9 transactions of 9							18800.00		360.00	18800.00

VAT RETURN

The VAT Return should be updated as normal. The transactions on the VAT return will appear as follows:

VAT Return printed at 09:08 on Monday, 1st March 21 - covering periods 1 To 3 Current Year					
Code	Rate	Outputs excluding VAT	VAT on Outputs	Inputs excluding VAT	VAT on Inputs
<u>GB VAT</u>					
13	V 20.00%	700.00	140.00		

Only VAT box 6 will be updated for the submission to HMRC:

Return		£
VAT due in this period on Sales and other outputs	1	0.00
VAT due on Acquisitions	2	0.00
Total of Boxes 1 and 2	3	0.00
VAT reclaimed in this period on Purchase and other inputs	4	0.00
Net VAT to be paid to Customs or reclaimed by you	5	0.00
Total value of sales and all other outputs excluding any VAT	6	700.00
Total value of purchase and all other inputs excluding any VAT	7	0.00
Total value of EC Supplies	8	0.00
Total value of EC Acquisitions	9	0.00

VAT ON PURCHASES

If the business is a VAT registered business & customer (e.g. contractor) who buys in CIS regulated standard or reduced rate construction services, the business will need to correctly account for VAT under the new reverse charge VAT rules when you receive associated invoices from suppliers.

Accounting for VAT is now shifted to the business (the customer) so you need to check that the services you receive have had the correct VAT liability applied (for example, that they have been correctly treated as standard/reduced rated and are not zero-rated), to ensure you are not over or under-accounting for VAT.

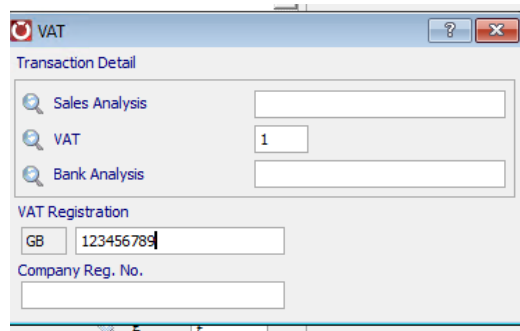
VAT should be accounted for as both output VAT in box 1 and input VAT in box 4 (subject to the normal recovery rules) and include the net value in boxes 6 and 7 of your VAT return. If you are a fully taxable business.

Dimensions

RECORD SUPPLIER VAT REGISTRATION NUMBER

To Reverse Charge VAT codes for a supplier, their VAT registration must be recorded on their record, as it will not be possible to use any of the Reverse Charge VAT codes if no VAT registration number has been entered.

- From **Debtors > Supplier** select the relevant supplier from the list then click on Edit and on the VAT icon:



- On the above screen enter the suppliers' VAT Registration number.
- The default VAT code for the supplier can be changed to the new reverse charge VAT code if required.

REVERSE CHARGE VAT CODE

- There should be an existing 'V' Reverse charge VAT code already setup on the system to use.

8	0.00 %		Outside Scope of VAT
A	20.00 %	A	Acquisitions of Goods & Related Services
G	0.00 %	G	Goods and Related Services
R	20.00 %	R	Purchases of "Reverse Charge" Services
S	0.00 %	S	Non-Related Services
T	0.00 %	T	Non-Registered WITH Tax Rep
U	20.00 %	U	Non-Registered NO Tax Rep
V	20.00 %	V	Reverse Charge Goods
V2	0.00 %		Reverse charge VATable service
X	20.00 %	X	Reverse Charge VATable Service
Y	0.00 %	Y	Reverse Charge Non-VATable Service

This code will update output VAT in box 1 and input VAT in box 4 (subject to the normal recovery rules) and include the net value in boxes 6 and 7 of your VAT return.

PURCHASE INVOICE FOR REVERSE CHARGE VAT.

On entering a purchase invoice using the 'V' Reverse charge VAT code in Access Dimensions, the invoice will look as follows:

Analysis	Net £	VAT Code	VAT £	Gross £	Project	Cost Centre	Description
340	16000.00	V 20.00%	3200.00 *	16000.00			Materials & Small Tools

The VAT amount will be shown but the Net and Gross figures will be the same.

Please note: when entering a Purchase Invoice using the 'V' code in TemplaCMS the Net and Gross figures will currently not be the same as it still includes the VAT amount in the Gross figure, but it will post through and deal with this correctly in Access Dimensions.

- On the supplier record the transaction the VAT amount will appear in the '£ Reverse VAT' column as opposed to the '£ VAT column' and the Net and Gross figures will be the same

Supplier	Date	Period	Type	Batched	Header Ref.	Order No.	£ Net	£ VAT	£ Acq./Rev. VAT	£ Gross	£ Outstanding	R
BIFFA	1 JAN 20	C1	INV		SFFDGGD		50.00	10.00		60.00	60.00	
BIFFA	7 JUL 20	C5	INV		SDDSD		10.00	2.00		12.00	12.00	
BIFFA	24 FEB 21	C1	INV		AAA		100.00		20.00	100.00	100.00	
BIFFA	24 FEB 21	C1	INV		AAAAAA		1000.00		200.00	1000.00	1000.00	
BIFFA	1 MAR 21	C1	INV		RCT		16000.00		3200.00	16000.00	16000.00	
Totals for 5 transactions of 5							17160.00	12.00	3420.00	17172.00	17172.00	

VAT RETURN

The VAT Return should be updated as normal. The transactions on the VAT return will appear as follows:

<u>Code</u>	<u>Rate</u>	<u>Outputs excluding VAT</u>	<u>VAT on Outputs</u>	<u>Inputs excluding VAT</u>	<u>VAT on Inputs</u>
<u>GB VAT</u>					
13	V 20.00%	700.00	140.00		
V	V 20.00%			16000.00	3200.00

Output VAT in box 1 and input VAT in box 4 (subject to the normal recovery rules) and the net value in boxes 6 and 7 will be updated on the VAT return:

Return		£
VAT due in this period on Sales and other outputs	1	3200.00
VAT due on Acquisitions	2	0.00
Total of Boxes 1 and 2	3	3200.00
VAT reclaimed in this period on Purchase and other inputs	4	3200.00
Net VAT to be paid to Customs or reclaimed by you	5	0.00
Total value of sales and all other outputs excluding any VAT	6	700.00
Total value of purchase and all other inputs excluding any VAT	7	16000.00
Total value of EC Supplies	8	0.00
Total value of EC Acquisitions	9	0.00



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