The Construction Industry
Joint Taxation Committee

JTC

JTC NEWSLINE

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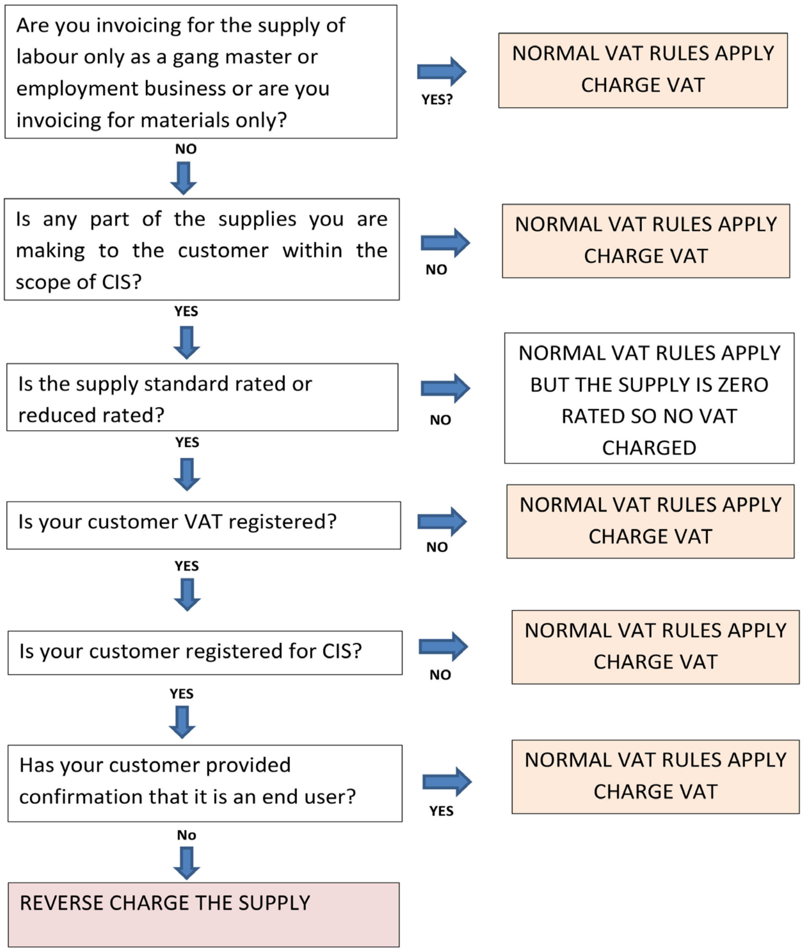
Reverse Charge VAT

Do you know what you are doing to do to get ready for Reverse Charge VAT?

Have you asked the customers likely to pay you after 1 October 2019 whether they are VAT and CIS registered? If they are, they will need to tell you whether they are an end user of the building. If they say nothing you must Reverse Charge the work after 1 October 2019.

Strictly, your subcontractors should be asking you if you are VAT and CIS registered, but perhaps they think they know!! They should also be considering whether you are the end user of the works, but again perhaps they think they know. But do inform them and warn them that you expect to be Reverse Charged for work after 1 October 2019.

Sending out the correct invoice? Normal or reverse charge?



Are you checking to see if you ought to register to send in VAT returns monthly once Reverse Charge VAT is introduced? You should do the check. Remember that a monthly return has to be sent **monthly** and by the due dates - one month and seven days after the end of the return period.

If monthly returns are not sent in promptly HMRC can withdraw the facility and you will have to go back onto quarterly returns, which may mean your cash is lying unusable with HMRC. Think about what the reverse charge changes mean for you in all its aspects. Get the JTC training notes from Liz@thetaxbridge.com or contact your trade federation and they can email them to you.

This flow chart will sit on the desk of everyone sending out invoices after 1 October 2019 to enable them to decide whether to reverse charge VAT or send out an ordinary VAT invoice. Make sure you know it and understand it. ■

Plant hire and Reverse Charge

It is worth thinking about plant hire and how Reverse Charge will apply to it. Any plant that is hired in or out by a business 'without an operator' will be charged with VAT as normal. It is 'without an operator' and so it is outside CIS, and Reverse Charge does not apply to any invoice for plant without an operator.

Now let's think about plant with an operator.

- **Hiring in**

I presume that everyone reading this will be VAT and CIS registered. So if you hire in plant with an operator to build something you will sell as a developer you must give an end user statement and accept a VAT invoice.
If you are hiring in plant to use on a job that you will bill onto another contractor, you will not give an end user statement and the plant with operator will be Reverse Charged to you.

- **Hiring out**

What if you have plant that you hire out to other contractors or clients with operators? You will have to test on each contract whether the customer is VAT and CIS registered. If they are not, there is no issue, you send out a standard VAT invoice.

The question comes with customers who are VAT and CIS registered, are they using the supply in their own development or for an on supply to another contractor?
Once you are supplying a VAT and CIS registered customer my advice it to ask once, 'will you be sending an end user statement?' Unless you promptly receive an end user statement, you Reverse Charge.
This customer is VAT and CIS registered and they should know what they are doing; the responsibility to send an end user statement is theirs. ■

Making Tax Digital

HMRC have announced that a small number of businesses that pay their VAT by direct debit and have signed up to Making Tax Digital (MTD) have not had their last non-MTD payment collected.

They are 'rectifying the situation as a matter of priority' (this probably means a panic) and expect to have collected all outstanding payments by 22 July. **If your business has not had its payment collected by this date, you should contact the VAT helpline.**

In the majority of these cases, payment has not been collected because the business signed up immediately after submitting their final non-MTD return because there was no warning in the HMRC guidance not to go straight from doing one thing to the other.

They have now updated GOV.UK guidance to advise businesses, and agents, to wait until after payment has been collected before signing up. Hey ho! ■

Senior accounting officers under fire

Just a reminder from HMRC aimed at senior accounting officers and senior finance executives of large businesses that HMRC are watching. **152** have been fined personally for tax accounting failures in 2018-19, an increase of 22% on the previous year.

This is particularly pertinent with the start of Reverse Charge VAT because some large firms which are VAT registered and CIS registered will need to decide and notify their construction partners that they are end users. Failure to do so could mean work is Reverse Charged to them which should be fully charged. ■

IR 35 changes

You should be aware that the off-payroll working rules first introduced for the public sector will be extended to large businesses in April 2020.

This is a major change for firms employing more than 50 workers a year who also use workers who operate through their own limited companies. I am not talking genuine trading subcontractors here, I am talking one man limited companies used to avoid PAYE on a worker who the employer wants to use personally.

Historically, one man trading through his own company has been responsible for determining his own employment status and has been liable for all taxes. The change in law means that the end client must assess the contractors' status and the fee payer (the party above the one man company) assumes the tax risk. The fee payer may be an agency, it may be the client if no middleman, like an agency, is used.

This will make life very difficult for those running agencies where men are not paid using PAYE. It is likely that there will be a move to get workers out of one man limited companies and back into PAYE.

There is an article published in Taxation which gives more detail and examples, email Liz@thetaxbridge.com quoting IR35/ Chaplin for a copy.

To see how people will decide employed or self-employed status look at the interactive **check employment status for tax** (CEST) tool on the GOV.UK site. ■

If you have a query on any item in newsline contact Tel: 020 8874 4335 or liz@thetaxbridge.com

Tax-free childcare

HMRC are currently running a campaign to remind people that they could get up to £2,000 per child, per year, towards childcare costs. Eligible parents/guardians may receive government top-ups of £2 for every £8 that they pay into a tax-free childcare account, up to a maximum of £2,000 per child (or £4,000 for disabled children). There is an overall maximum limit of £10,000. The scheme is open to all working parents across the UK with children under 12, or under 17 if disabled.

Under the scheme, the parent/guardian opens an online account and decides how much to pay in. Circumstances are re-confirmed online every three months. Anyone can pay into the account, including grandparents, other family members or employers, giving flexibility to pay in more in some months, and less at other times. **Money can be withdrawn at any time but in doing so, the government contribution will be lost.**

To qualify for the government contribution, account holders will usually have to be in work, expecting to earn at least the National Minimum Wage (NMW) or Living Wage (LW) for 16 hours a week on average, over the next 3 months. Self-employed people who do not expect to make enough profit in the next 3 months can use an average of how much they expect to make over the current tax year. The earnings limit does not apply to self-employed individuals who started their business less than 12 months ago.

Unlike the previous childcare scheme, tax-free childcare does not rely on an employer offering it. Any working family can use a tax-free childcare account, provided they meet the eligibility requirements. The Childcare Account website includes a calculator for parents to compare all the government's childcare offers and check what works best for their families. ■

Emails from HMRC

Take care to not delete genuine HMRC emails. HMRC have worked hard to stop fraudsters spoofing their email systems and phone number. Look carefully at the address from which an email has come and read it carefully but do not press on any links.

HMRC **do** use their email system extensively to warn businesses of upcoming changes and of failed submissions.

The department affirms that it will **never** contact a customer out of the blue and ask for **any bank details** and that from June any caller paying tax or debts over the phone will have to enter payment details on their keypad instead of giving them verbally. The operator will remain on the call but will not have access to the numbers or letters typed. ■