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Newsletter

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MTD for VAT update

As Making Tax Digital for VAT (MTD) rolls out, it is important that businesses are aware of changes to VAT Notice 700/22 Making Tax Digital for VAT bit.ly/2LCgP49. This is updated on an ongoing basis as HMRC issues further guidance.

Significant recent updates include a relaxation of the rules on petty cash transactions. Petty cash transactions may be entered in batches, with just summary totals entered in the digital records. This applies to individual purchases where the value is less than £50 (including VAT). There is a £500 (VAT-inclusive) maximum for each entry.

There is another relaxation for businesses which would usually enter totals from supplier statements in their accounting records, rather than individual invoice totals. The relaxation means that where all supplies on a statement relate to the same VAT period, and the total VAT charged at each rate is shown, a business can record totals from the supplier statement, rather than individual invoices, in the digital records: though cross referencing outside the digital records will also be required.

We are happy to help your business adapt to MTD requirements.

JULY 2019

VAT: building and construction

A major change in the way that VAT is accounted for in the building and construction sector takes effect later this year.

The VAT domestic reverse charge for building and construction services applies from 1 October 2020. It is an anti-fraud measure - an administrative change, impacting invoicing and VAT return procedures. With a reverse charge, a VAT-registered recipient of services accounts for VAT, rather than the supplier.

Applying to VAT-registered businesses where payments are required to be reported through the Construction Industry Scheme (CIS), the charge will be used along the supply chain, until the recipient is no longer a VAT-registered business making an onward supply of specified construction services. The rules call this an 'end user'.

With the new rules, suppliers (VAT-registered subcontractors), will state on their invoices that supplies are subject to the reverse charge. Contractors will then use their VAT returns to account for output VAT on supplies received, instead of paying output VAT to their suppliers. Subject to normal VAT rules, the contractor can reclaim VAT on supplies received as input tax, usually leaving no net tax payable on the transaction. Where there

is an 'end user', it will be expected to provide notification of end user status to suppliers, signalling that a supplier should charge VAT as usual.

Reverse charge will not affect zero-rated supplies: nor some circumstances where suppliers are connected to end users, for example landlords and tenants. The reverse charge covers 'specified services' - essentially construction services as defined for CIS purposes. Where services - such as those of architects, surveyors and some consultants - are supplied on their own, they are not covered by the reverse charge. If supplied along with supplies subject to the charge, the whole supply will be subject to the charge. The reverse charge also includes goods, where supplied with specified services.

With new HMRC guidance issued, we recommend planning now and adapting accounting and IT systems to cope. The reverse charge may also impact business cash flow. Please do not hesitate to contact us for further advice.



Artisans' House, 7 Queensbridge, Northampton NN4 7BF

Telephone: 01604 823560 Facsimile: 01604 823588 Email: enquiries@cobdes.co.uk