

Newgate (Newark) Ltd
Brunel Drive
Newark
Nottinghamshire
NG24 2DE
Tel: 01636 700172



To Whom It May Concern

Re: VAT Reverse Charge

From 1st March 2021 HMRC will be introducing a radical change to the way VAT is collected and administered. Currently, businesses pay VAT on their purchase of materials and services and charge VAT on their supplies. The difference between VAT charged, and VAT paid, is paid to Customs and Excise on the agreed basis.

From the 1st March 2021 before an invoice is raised, **on any supply and install contract**, a business will have to determine:

1. Whether the customer is VAT registered,
2. Whether the customer is registered for CIS,
3. Whether the supply is within the scope of CIS, and
4. Whether the supply is to a building or structure the customer will use themselves.

If the customer is VAT and CIS registered, and the work is within the definition of a construction operation, and the customer will not use the building for their own occupation, the supply will be subject to the new VAT reverse charge regime (from March, 2021). The rate of VAT remains the same but no VAT will be paid by the customer / contractor, to their supplier / subcontractor.

For the majority of work, where there is a supply chain and (say) a main contractor, businesses will have to invoice showing the correct rate of VAT. However, the invoice will not request the payment of that VAT and the customer will not be expected to pay it. The business receiving a reverse charge invoice, will not send any money to pay a VAT debt. Reverse charging VAT will not be a matter of choice. If reverse charging is appropriate, it will be compulsory from the 1st March, 2021.

The administration of VAT on material purchases, from either a supplier or wholesaler, remains unaltered by these changes.

To facilitate a smooth introduction of these changes, we shall be writing to all our customers and suppliers seeking confirmation of their VAT status, their Unique Taxpayer Reference (UTR) Number, and to establish whether they are CIS registered.

For the moment, that is all that is required. If you are in any doubt, please consult HMRC's website for guidance. You can find this at: <https://www.gov.uk/government/publications/vat-reversecharge-for-building-and-construction-services-guidance-note/guidance-note>

Registered in England No: 1870156
Registered Office: Brunel Drive, Newark, Notts, NG24 2DE
Vat Reg No: 416152186

Please fill in the below required details and send back ASAP to salesledger@newgate.uk.com.

Thanks,

Toni Cheetham
Sales Ledger & Credit Control Clerk

Company Name:

Are you an End User, if so please email salesledger@newgate.uk.com stating so

Are you VAT registered? Yes/No

If yes please supply your VAT number:

Are you CIS registered? Yes/No

If yes, please supply your CIS Number:

VAT Status: Gross/Standard/Reduced Rate