



**Isle of Man
Government**

Reilrys Ellan Vannin

VAT

Construction Industry Domestic Reverse Charge Information Leaflet

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Useful Links and contact details

An introduction to VAT

<https://www.businessisleofman.com/assets/PDFs/31fcb7b77d/Introduction-to-VAT.pdf>

Customs & Excise

North Quay

Douglas

IM99 1AG

01624 648130

The Isle of Man Construction Industry Scheme

<https://www.gov.im/categories/tax-vat-and-your-money/income-tax-and-national-insurance/contractors/the-isle-of-man-construction-industry-scheme/>

Income Tax Division

Bucks Roads

Douglas

IM1 3TX

01624 685400

VAT Reverse Charge technical guide

<https://www.gov.uk/guidance/vat-reverse-charge-technical-guide>

The domestic Reverse Charge for the construction industry is an anti-avoidance measure which requires the customer who receives the services to account for the VAT due on these services on their VAT return rather than the supplier of the services.

Who does the Reverse Charge apply to?

You must use the Reverse Charge if you meet **ALL** of the following conditions:-

1. You are VAT registered
2. You supply or buy construction industry services to sell on
3. The services you buy or sell are reportable within the CIS scheme (specified service)
4. The services are subject to 20% or 5% VAT
5. You are **NOT** providing services to an end user

An “end user” is a consumer or final customer for Reverse Charge purposes. They may be VAT and CIS registered but do not make onward supplies of the services that they have received (e.g. a property developer who will sell or rent out the completed building)

Intermediary suppliers are VAT and CIS registered businesses that are connected or linked to an end users. If an intermediary supplier buys construction services and just re-supplies them to a connected or linked end user, they are all treated as end users and the Reverse Charge does not apply.

To be connected or linked to an end user the supplier must either:

Have a relevant interest in the same land where the construction is taking place, or
Be part of the same corporate structure or undertaking

What you need to do?

1. Check your customer/supplier is VAT registered
2. Check your customer/supplier is CIS registered
3. Review your supply to see if it meets the definition of a specified service under the CIS scheme
4. Ensure the supply is not being made to an end user or an intermediary supplier
5. Ensure your accounting system can account for the Reverse Charge.

Specified and excluded services are detailed in the CIS scheme.

What are specified services?

For the purpose of CIS, construction work includes:

- preparing the site, eg laying foundations and providing access works
- demolition and dismantling
- building work
- alterations, repairs and decorating
- installing systems for heating, lighting, power, water and ventilation
- cleaning the inside of buildings after construction work

What are excluded services?

Certain supplies are excluded from the Reverse Charge these include:

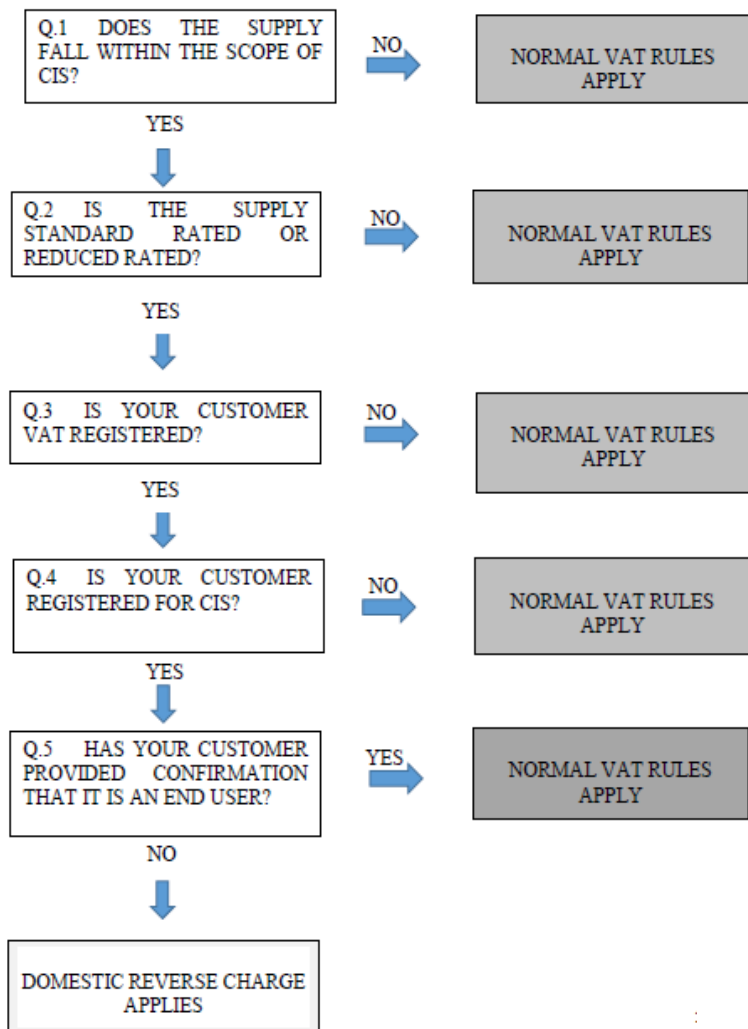
- Professional work of architects
- Surveyors
- Engineering
- Consultants in building, interior or exterior decoration and landscape
- Drilling for/or extracting oil, natural gas and minerals.
- Manufacturing building and engineering components or plant and machinery
- Installing security systems including burglar alarms and CCTV

VAT: domestic reverse charge for building and construction services

Annex 1

Use this flowchart to see how you would decide whether to apply normal VAT rules, or apply the domestic reverse charge.

Do not use it for services supplied by employment businesses.



Accounting for the Reverse Charge

When raising a sales invoice under the Reverse Charge rules the supplier will not charge any VAT on the invoice. Instead the supplier should make it very clear that it is their responsibility of the customer to account for the VAT on their own VAT Return

In the example below you can see that two alternative methods have been used (highlighted in red)

Invoice		From: Sub-Contractor (Supplier) Supplier's Address Supplier's VAT Registration No		
To: Contractor (Customer) Customer's Address Customer's VAT Registration No				
Invoice No: Invoice Date:				
Description	Net (£)	VAT Rate	VAT (£)	Gross (£)
Refurbishment of commercial premises	200,000	20%	Reverse charge applies	200,000
Conversion of office block to residential housing	150,000	5%	Reverse charge applies	150,000
Total	350,000			350,000
Customer to account to IOM C&E for the reverse charge output tax on the VAT exclusive price of the items marked "reverse charge at the relevant VAT rate as shown above				

Accounting for the reverse charge

The supplier does not need to account for VAT on their VAT return; they only need to include the value of their supply in BOX 6.



The Treasury
Customs & Excise Division

VAT Return

For the Period
to

TRADE CLASSIFICATION

VAT Registration No.

GB

Period

You could be liable to a financial penalty if your completed return and all the VAT payable are not received by the due date.

Due Date:

For official use only									
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SELLER

SUB-CONTRACTOR

VAT Notes - Items of general interest to Isle of Man traders - can be found on our website at <http://www.gov.im/categories/tax,-vat-and-your-money/customs-and-excise/public-notice/vat-notes/>

Before you fill in this form please read the notes on the back and the VAT leaflet 'Filling in your VAT return'. Complete all boxes clearly in ink, writing 'none' where necessary. Do not put a dash or leave any box blank. If there are no pence write '00' in the pence column. Do not enter more than one amount in any box.

		£	p
VAT due in this period on SALES and other outputs	1		
VAT due in this period on ACQUISITIONS from EC MEMBER STATES other than the U.K.	2		
Total VAT Due (the sum of boxes 1 and 2)	3		
VAT reclaimed in this period on PURCHASES and other inputs (including acquisitions from the EC)	4		
Nett VAT to be paid to Customs or reclaimed by you (DIFFERENCE BETWEEN BOXES 3 & 4)	5		
→ Total value of SALES and all other outputs excluding any VAT. Include your BOX 8 & BOX 10 FIGURES Total value of PURCHASES and all other inputs excluding VAT. Include your BOX 9 FIGURE	6	100	00
	7		00
Total value of all SUPPLIES of GOODS and related services, excluding any VAT, to EC Member States from the I.O.M. or U.K.	8		00
Total value of all ACQUISITIONS of GOODS and related services, excluding any VAT, from EC Member States to the I.O.M. or U.K.	9		00
Total value of SUPPLIES of I.O.M. Accommodation or renovation and repair of dwellings subject to VAT at the rate of 5%	10		00

The customer needs to account for the reverse charge VAT in BOX 1 and can reclaim it in BOX 4 under normal recovery rules.



Isle of Man
Government
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The Treasury
Customs & Excise Division

VAT Return
For the Period
to

TRADE CLASSIFICATION

VAT Registration No.

GB

Period

You could be liable to a financial penalty if your completed return and all the VAT payable are not received by the due date.

Due Date:

For official use only							
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BUYER

MAIN CONTRACTOR

VAT Notes - Items of general interest to Isle of Man traders - can be found on our website at <http://www.gov.im/categories/tax,-vat-and-your-money/customs-and-excise/public-notice/vat-notes/>

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		£	p
→	VAT due in this period on SALES and other outputs	20	
	VAT due in this period on ACQUISITIONS from EC MEMBER STATES other than the U.K.	-	
	Total VAT Due (the sum of boxes 1 and 2)	20	
→	VAT reclaimed in this period on PURCHASES and other inputs (including acquisitions from the EC)	20	
	Nett VAT to be paid to Customs or reclaimed by you (DIFFERENCE BETWEEN BOXES 3 & 4)	0	
→	Total value of SALES and all other outputs excluding any VAT. Include your BOX 8 & BOX 10 FIGURES		00
	Total value of PURCHASES and all other inputs excluding VAT. Include your BOX 9 FIGURE	100	00
	Total value of all SUPPLIES of GOODS and related services, excluding any VAT, to EC Member States from the I.O.M. or U.K.		00
	Total value of all ACQUISITIONS of GOODS and related services, excluding any VAT, from EC Member States to the I.O.M. or U.K.		00
	Total value of SUPPLIES of I.O.M. Accommodation or renovation and repair of dwellings subject to VAT at the rate of 5%		00