



M+A Partners



QuickBooks Reverse Charge for Building and Construction Services

The domestic reverse charge for building and construction services is now in effect - meaning that the customer (or building contractor) receiving a service will pay VAT directly to HMRC rather than paying the supplier (or sub-contractor).

The change impacts those that supply or receive specified services that are reported under the Construction Industry Scheme (CIS).

The reverse charge applies to the supply of services between VAT registered building contractors and VAT registered sub-contractors, which are subject to VAT at the standard rate of 20% and the reduced rate of 5%.

For those clients using QuickBooks as their accounting software, below are the steps to follow to ensure the appropriate VAT rate is added to their invoices.

Applying the reverse charge through QuickBooks

QuickBooks has two new VAT codes to enable clients to account for the reverse charge - 20% and 5%.

When using QuickBooks to account for the reverse charge, the applicable code should be selected, and the transaction saved. QuickBooks will then automatically account for the reverse charge and the VAT will be reflected within the return.

Prior to selecting the new VAT codes, VAT must be setup and CIS turned on - see section below for details of how to turn on CIS in QuickBooks.

If VAT and CIS have already been set up, no further action is required, and users can activate the new VAT codes required for the reverse charge.

Using the new VAT codes

Once VAT is set up and CIS turned on, visit the Taxes page within QuickBooks and follow these simple steps to activate the new VAT codes:

1. Go to **Edit VAT**;
2. Select **Edit Rates**;
3. Select **the gear icon above VAT codes**;
4. Click **Include Inactive**; and
5. Use the toggle on the codes that you want to activate in QuickBooks.

Additional information is required on the reverse charge invoice, and this is not automatically included when you use the VAT codes. It is advised that you set up a custom template to use for these types of invoices to ensure all of the correct information is displayed.

Further details on how to invoice for supplies of construction services subject to the new reverse charge can be found in our factsheet by clicking here:



CIS in QuickBooks

Turning on the CIS function, enables QuickBooks to calculate CIS deductions, track CIS withheld and create the necessary reports for HMRC.

The CIS centre can be found within Taxes. Once it has been turned on, QuickBooks will create the accounts needed to track CIS, make CIS deductions as transactions are created, and add CIS reports and statements. To turn on CIS, follow these steps:

1. Click the **Gear icon > Company Settings** (or Account and Settings depending on what you see);
2. Click **Advanced**;
3. Select **Construction Industry Scheme (CIS)**; and
4. Enter your info.

Creating CIS transactions in QuickBooks is very similar to creating a normal transaction - once it is up and running, QuickBooks does the calculations for you.

Further information on using CIS in QuickBooks can be found here:



Reverse charge and the Cash VAT Scheme

Businesses on the Cash VAT scheme are able to use the reverse charge as long as the invoices are accounted for on a Standard (accrual) VAT scheme.

QuickBooks will account for transactions on a Standard scheme when using the reverse charge. They are making changes to their VAT return to enable CIS transactions, with the relevant VAT codes to post to your return at the date of transaction.



At **M+A Partners**, we are here to advise and support you in applying the VAT Reverse Charge using QuickBooks. If you need any further assistance, then please get in touch with your usual M+A Partners contact or email: enquiries@mapartners.co.uk

MA Partners LLP 7 The Close Norwich Norfolk NR1 4DJ
Also based at Attleborough and Cromer
☎ 01603 227600 ✉ enquiries@mapartners.co.uk

mapartners.co.uk



Disclaimer We believe the information herein to be correct at the time of going to press, but we cannot accept any responsibility for any loss occasioned to any person as a result of action or refraining from action as a result of any item herein. **March 2021** Printed and published by © MA Partners LLP. M+A Partners is the trading name of MA Partners LLP and MA Partners Audit LLP, which are limited liability partnerships. A list of members may be inspected at our registered office: 7 The Close, Norwich, NR1 4DJ. The term "partner" is used to refer to a member of MA Partners LLP or MA Partners Audit LLP. MA Partners LLP is regulated for a range of investment business activities and licensed to carry out the reserved legal activity of non-contentious probate in England and Wales by the Institute of Chartered Accountants in England and Wales. MA Partners LLP is registered in England and Wales (LLP number OC 361855). MA Partners Audit LLP is registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales. MA Partners Audit LLP is registered in England and Wales (LLP number OC 427003).