01 / CHOOSE THE RIGHT ROUTE

Building work does not all use the same VAT rule.

First decide the rate. Then decide who accounts for the VAT.

Start with the work, not the customer's request

For a VAT-registered business, most ordinary building, repair and improvement work is **20%**. Some qualifying residential conversions or work on homes empty for at least two years may be **5%**. Construction of a qualifying new home can be **0%**.

Those rates depend on the actual project and conditions. "It's a house", "it's a new kitchen" or "the customer says VAT-free" is not enough.

Everyday situation	Usual starting point
Repair or extension to an existing home	20%, unless a specific relief applies.
Qualifying new dwelling, during construction	0% for qualifying construction services.
Qualifying conversion or empty-home renovation	Check whether 5% applies.
Materials sold without installation	Normally 20%, even for a new-build site.

What is the reverse charge?

It changes **who reports the VAT**, not the price of the work before VAT. On qualifying construction supplies, your business customer accounts for the VAT on its own return instead of paying that VAT to you.

SAME £4,000 JOB, TWO ROUTES

Ordinary 20% VAT: £4,000 work + £800 VAT = £4,800 before any CIS deduction.

Reverse charge: customer pays £4,000 before any CIS deduction and reports the £800 VAT itself.

A private homeowner normally pays ordinary VAT where it is due. A VAT-registered builder buying work to supply on to its customer may use the reverse charge.

CIS is separate. It withholds tax from certain construction payments. It does not decide the VAT rate. Gross payment status under CIS does not switch off the VAT reverse charge.

ZERO-RATED IS NOT REVERSE-CHARGED

A qualifying 0% supply has no VAT amount to reverse-charge. Do not label an ordinary reverse-charge supply "zero-rated" or "exempt".

This guide covers common UK construction transactions, not every building or land arrangement. Not VAT registered? Check whether registration is required before using these examples.

CHECK THE RULES Building work: rates and conditions · Construction reverse charge · VAT registration tests

02 / BUSINESS-TO-BUSINESS WORK

When should you use the reverse charge?

Check the actual supply and customer before issuing the invoice.

The normal checks

1. VAT: both the supplier and customer are UK VAT registered. Check valid VAT numbers; ask SBX about pending or overdue registrations.

2. Construction: the work falls within the specified construction services and the payment is reportable under CIS.

3. Rate: the supply is standard-rated or reduced-rated, not zero-rated.

4. Customer status: check for a written end-user or qualifying-intermediary notification. Without it, the reverse charge can still be required where the customer uses the work itself, if the other conditions apply.

5. Exceptions: employment businesses supplying workers, and some other supplies, follow different rules. A genuine labour-only construction subcontract is not automatically excluded.

VERIFY, DO NOT ASSUME

Keep the customer's VAT details, CIS information and written confirmation of how they are buying the work. If the conditions do not fit, normal VAT may apply.

An end user may need to tell you in writing

An **end user** buys the work for its own use rather than selling the construction service on. A property owner or developer may be an end user, but the facts matter.

Where an eligible end user, or qualifying intermediary supplier, gives the relevant **written notification**, normal VAT is charged. An email or contract statement can be used. Do not decide purely from the customer's job title.

EXAMPLE CUSTOMER EMAIL

"For the works at [site / contract], we confirm that we are the end user for the construction VAT reverse-charge rules. Please charge VAT in the normal way where applicable."

Use only if that statement is true.

Two trades can invoice differently

A plumber working for a VAT-registered main builder may reverse-charge. The main builder's repair invoice to a private homeowner normally adds 20% VAT. Same site, different supply.

Cash flow: reverse-charge sales bring in no VAT cash. Cash Accounting cannot be used for reverse-charge transactions. Flat Rate Scheme users should ask us to check their treatment and whether the scheme still makes sense.

CHECK THE RULES Supplier reverse-charge checks · End-user notifications · Cash Accounting exclusions

03 / A COMPLETE PAYMENT EXAMPLE

VAT and CIS are two different calculations.

This example assumes a VAT-registered subcontractor and a contractor who must deduct CIS at 20%.

The same job, side by side

Invoice / payment	Normal VAT	Reverse charge
Labour	£3,000	£3,000
Eligible materials at actual cost	£1,000	£1,000
VAT paid to the subcontractor	£800	£0
Amount before CIS	**£4,800**	**£4,000**
CIS: 20% × £3,000	(£600)	(£600)
Cash paid to subcontractor	**£4,200**	**£3,400**
CIS paid separately to HMRC	£600	£600

Materials equal the subcontractor's eligible £1,000 cost, excluding recoverable VAT. Mark-ups and labour cannot simply be called materials. Use the CIS rate HMRC confirms.

What the reverse-charge invoice says

EXAMPLE INVOICE SUMMARY

Labour and materials: **£4,000**
VAT rate: **20%**
VAT to be accounted for by the customer: **£800**

Reverse charge: customer to account for VAT to HMRC.
Amount payable before CIS: **£4,000**

Show the appropriate invoice details and VAT rate or amount, but exclude the reverse-charged VAT from the sum payable. Record the £600 CIS withholding separately, not as a sales discount.

What happens on the VAT return?

The customer reports £800 as VAT due and may reclaim £800 if fully entitled, giving no net VAT cost in this example. Restricted recovery can leave a real bill. The supplier does not pay that £800 as output VAT.

DO NOT COPY THE EXAMPLE BLINDLY

A homeowner normally does not deduct CIS. A qualifying new-build supply may instead be 0%. Confirm the VAT route, CIS rate and material costs for each contract before paying.

A credit note or replacement invoice may be needed if the wrong VAT treatment was used. Tell SBX before simply refunding VAT or deleting an invoice.

CHECK THE RULES CIS payment calculations · Buyer reverse-charge checks · Reverse-charge reporting · VAT invoices and timing

04 / NEW BUILDS AND YOUR JOB CHECKLIST

Keep the evidence before calling a job VAT-free.

A short project record is better than trying to reconstruct the facts at the next VAT return.

For a new-build claim

Keep the planning permission, approved dwelling details, site address and scope of work. Confirm the work is part of constructing a **qualifying dwelling**, with relevant planning conditions met. For a replacement home, check the demolition and retained-structure rules.

Supply and fitting of qualifying building materials can follow the 0% construction service. Fitted kitchen worktops can qualify. Separately supplied professional fees, carpets and many appliances do not automatically qualify.

A later separate refurbishment is not turned into a new-build supply just because the house was recently built. Original-contract snagging and work around completion need a specific timing check.

5% WORK NEEDS ITS OWN EVIDENCE

For an empty-home or conversion claim, establish the required vacancy history or qualifying change of use before invoicing. There is no general 5% rate for all renovation work.

Job VAT decision record

Check	Details / evidence
Site and customer	[enter]
What work are we supplying?	[enter scope and contract]
Planned rate: 20%, 5% or 0%	[enter reason and evidence]
Customer VAT and CIS position	[enter checked details]
End-user notification, if relevant	[attach email / contract]
Normal VAT or reverse charge?	[enter agreed treatment]
CIS rate / material-cost evidence	[enter]
Reviewed by / date	[enter]

Price check: an agreed £6,000 plus 20% VAT means £7,200 due. A fixed £6,000 VAT-inclusive price contains £1,000 VAT, leaving £5,000 before other costs. Check the contract before assuming you can add VAT later.

Contact our office or your account manager. info@sbxaccountants.com | 020 7046 1730

Keep completed forms in your own private records. Send them through your agreed SBX channel, not the shared resource library.

CHECK THE RULES Building work: rates and conditions · Construction reverse charge · End-user notifications · VAT invoices and timing