

Checklist for practitioners

1. Principals (only)

- VAT on construction services received from sub-contractors from 1 September 2008 is subject to reverse charge.
 - Enter VAT on construction services received at T1 on VAT 3,
 - If deductible (subject to the normal rules) enter VAT on construction services received at T2 also
- Payments to sub-contractors will be reduced and invoices issued net of VAT.
- VAT liability to Revenue will increase by the amount of VAT due on construction services from sub-contractors.
- Direct Debit cases need to be reviewed to avoid an underpayment of VAT as should the VAT filing period.
- Input credit allowed in the normal way, including input credit for reverse charge VAT.
- RCT should be deducted (where required) from the net amount.

2. Sub-contractors (only)

- Sub-contractor should invoice the principal net of VAT from 1 September 2008 – principal accounts for VAT.
- Services should be recorded in the sub-contractors records as net of VAT and should not be returned on the VAT 3
- The sub-contractor is entitled to claim VAT on his/her inputs in the normal way. This will mean that sub-contractors who only supply construction services to their principal contractors will be in a repayment position for VAT.
- Direct Debit cases need to be reviewed – to avoid an overpayment of VAT; sub-contractors who only supply services to principal contractors will be in a repayment position for VAT.

3. Persons who are both Principal and Sub-contractor
 - a client who is both a principal and a sub-contractor
 - is accountable for on the reverse charge on the services received as a principal and
 - does not charge VAT on services supplied to his or her principals.
 - VAT payment/repayment profile will change considerably - Direct Debits will need to be reviewed.

4. Government Departments, Local Authorities and Public Bodies who are Principal Contractors for RCT are required to register and account for VAT on supplies of construction services from sub-contractors. They are not entitled to deductibility. They may go from a position of having no VAT liability to having very significant VAT liability.

5. Supplies of construction services to consumers and to business customers who are not principal contractors for RCT purposes are subject to VAT in the normal way.

6. Supplies of goods by a sub-contractor are not subject to the reverse charge. The two-thirds rule does not apply to construction services supplied by sub-contractors to principals; the two-thirds rule continues to apply in relation to other services.

7. The reverse charge VAT applies to all construction services supplied by sub-contractors to principals properly invoiced from 1 September 2008. Payments made in August 2008 should be invoiced in August and are subject to the normal VAT rules (VAT invoiced by the sub-contractor). VAT on reverse charge construction services should not be shown on any invoice issued in September.

8. RCT should be deducted, where required, at 35% on the net invoice amount.

9. Books and Records should record the reverse charge invoices net of VAT and the Principals should calculate the VAT on the total of the reverse charge invoices for the relevant period and VAT of 13.5% should be entered at T1 on the VAT 3 as output tax, with a corresponding deduction, where appropriate, at T2.