

VAT Reverse Charge - Checklist for principal contractors

From 1 September 2008

1. Principal contractor must calculate and account for the VAT on construction services received from sub-contractors. The method of accounting for VAT in such cases is known as reverse charge.
 - a. Enter VAT on construction services received at T1 on VAT 3,
 - b. If deductible (subject to the normal rules) enter VAT on construction services received at T2 also
2. Invoices received from sub-contractors in respect of construction services should not include VAT; if VAT is included pay the amount due net of VAT and account for the VAT under the reverse charge.
 - a. No VAT should be paid over to sub-contractors on invoices issued on or after 1 September 2008
 - b. Invoice from sub-contractor should show all details that would appear on VAT invoice except VAT rate and VAT amount.
 - c. Invoice should show "VAT on this supply to be accounted for by the principal contractor"
3. Invoice should show sub-contractor's VAT number unless:
 - a. sub-contractor is not registered due to turnover being under the threshold for registration
 - b. sub-contractor is not established in the State and is not registered for VAT in the State.

4. The principal contractor must always account for VAT on construction services received from sub-contractors who are established outside of the State irrespective of whether that sub-contractor is VAT registered and irrespective of his/her turnover.
5. VAT payable to Revenue by the Principal Contractor will increase by the amount of VAT due on construction services from sub-contractors – previously this amount would have been paid to the subcontractor.
6. Direct Debits need to be reviewed to avoid an underpayment of VAT as should the VAT filing period.
7. RCT should be deducted (where required) from the net amount paid.
8. The two-thirds rule does not apply where reverse charge applies