

Selecting VAT Rates post Brexit and CIS VAT Domestic Reverse Charging

1. VAT Rates for EU transactions

We have added the following new VAT Rates into Total Accounts version 11.7.000 to be used when posting Invoices:

VX is to be used for transactions between Northern Ireland (NI) and the EU.

VI (Import VAT) is to be used to record Import Tax on purchases:

- Into the UK (excluding NI) from the EU
- Into the UK (excluding NI) from the non-EU part of the world
- Into NI from the non-EU part of the world

VI should not be used for transactions between NI and GB.

For any Export sales that you make to the EU or the rest of the world (except to NI) from GB, you will need to use the **VO** (Outside VAT) Rate when raising or posting your sales invoice into Total Accounts.

2. New CIS VAT Domestic Reverse Charging rules

New rules came into force for invoices dated 1st March, 2021 onwards. We have updated Total Accounts to cater for these rules. If you have not downloaded version 11.7.000 or higher, please do so before using the processes outlined here.

Please click on the following link for HMRC's official rules & guidance:

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

VAT Reverse Charging only applies to B-2-B transactions on the Construction Industry Scheme (CIS) for 'construction supplies'. Example:

BusinessA → Bus.B → Bus.C → Bus.D

Assume Bus.D is the end user.

Bus.A, B & C must be (!!) VAT registered.

Bus.A & Bus.B must be intending to on-sell the goods to another construction 'party'.

Also, the supplier and the customer must not be 'connected' businesses!

The sales invoices between **A→B** and **B→C** no longer need to charge VAT, and therefore there is no 'Input VAT' to be re-claimed by the Buyer/'Customer'!

Please Note: The sales invoice raised by Bus.**C** → Bus.**D** **must** charge VAT in the usual way, because Bus.**D** is deemed to be the 'End Consumer' – 'VAT Reverse Charging' does not apply when goods are being supplied to 'End Consumer' irrespective of them being VAT registered, a business or simply 'retail'!!

Total Example:

Take the sale Bus.**A** → Bus.**B** for goods valued @ **£100 + 20% VAT**:

A's sales invoice MUST contain the following or similar wording "**Reverse charge: Customer to pay the VAT to HMRC at the standard rate(s) for the Product(s)**". Sum-It's Invoicing Module does show this automatically when specifying the VAT Rate as VR for any line in the invoice.

A's sales invoice is entered into **Total** with VAT rate '**VR**' (Reverse VAT). This sets the VAT value as £0 and will be subsequently reported in the HMRC VAT Return (generated by **Total**) as £0 VAT in **box1** (VAT on Sales), but the **Net £100 value** added to the total reported in **box6** (Net Sales). If, for your own records, you wish to record the amount of VAT that should have been charged you may do so in the 'VAT £' box as this value is not used for any other purposes

B's purchase invoice is entered normally into **Total**, including the VAT with rate '**VR**' (Reverse VAT). The VAT value should be entered as the full amount of VAT that should have been charged (in this example, £20). This will be subsequently reported in the HMRC VAT Return (generated by **Total**) as adding £20 VAT to the total in **box1** (VAT on Sales), and adding £20 to the total in VAT **box4** (VAT on Purchases), but just the £100 will be added to the **Net Value** reported in **box7** (Net Purchases).

Please call us on the Total Support Helpline on 01844 213003
if you have any queries regarding these VAT changes.

