

# BEYOND THE NUMBERS

inspire. challenge. support.



## CONTENTS

1.

VAT reverse charge for construction

2.

Fantasy football

Showing our appreciation

3.

Rural and farming client update

4.

Guess the team member

Winning feedback

## VAT reverse charge for CONSTRUCTION

As of 1 October 2019, the way in which construction businesses involved in construction supply chains account for VAT is changing. Rather than collecting VAT at each stage of the chain, as appropriate, then paying it to HMRC when it falls due, a reverse charge is to be introduced. The reason for this is to combat 'missing trader' fraud, in which a supplier collects VAT but then disappears before it's time to declare it to HMRC.

### Who does it apply to?

The reverse charge applies to supplies from one business to another that are subject to VAT at standard or reduced rates and that are required to be reported through the Construction Industry Scheme (CIS). Please note that the reverse charge applies to the whole service – unlike CIS, no deductions are made for materials.

The reverse charge stops only when the end user is reached. The end user is defined as the final customer; they receive construction services but do not supply them on.

How do you know you are dealing with an end user? HMRC acknowledge this might not always be clear. They put the onus on the end user to advise the supplier that they are an end user, meaning that VAT should be charged in the normal way rather than being reverse charged.

### How does it work?

Say, for example, a subcontractor charges a contractor for services that are subject to VAT. As things stand, the invoice would display a charge for the services and a charge for the VAT; the contractor would pay the full amount shown,

and the subcontractor would, at the appropriate time, pay the VAT element to HMRC.

Under the new system, while the VAT is still shown on the invoice, it appears as a reverse charge – in other words, the contractor no longer pays the VAT to the sub-contractor. Instead, they effectively charge themselves the relevant VAT amount and account for it through their own systems.

### How are transactions accounted for?

Transactions are accounted for as follows:

Subcontractor – invoices must show all the information normally included on a VAT invoice, but it should be clear that the reverse charge applies. With regard to the VAT Return, the sales VAT is not to be entered in box 1, but the sales value should be recorded in box 6.

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Main contractor – the VAT charged on a subcontractor's services should be shown as output tax in box 1 of the VAT Return (don't enter the value in box 6); treat the same amount as input tax to be reclaimed in box 4; this should result in a nil tax effect. Include the value of purchases in box 7, as usual.

### Cashflow considerations

Suppliers in the chain may suffer a cash flow disadvantage as they would normally hold the VAT paid to them until their next quarter end. Conversely, customers will have the benefit of not paying over the VAT until their quarter end.

As such, suppliers who use the VAT paid by customers as working capital will need to carefully consider the cash flow impact of this change.

**Chris Bond**

**cb@sbc.co.uk**



QUOTE  
CORNER

**"I can't change the direction of the wind, but I can adjust my sails to always reach my destination".**

**Jimmy Dean**

## FANTASY FOOTBALL



### We're launching our fantasy football league with £100 cash up for grabs

The new football season is just around the corner and entries for our Fantasy Premier League are now open. For those of you who haven't played before, it's really easy. It's all done online (<https://fantasy.premierleague.com>) and managed by the Premier League themselves so there's no entry fee and no paperwork to worry about. All you need to do is pick your best team of 15 players (including subs) and spend less than £100m, players get points based on their real-life performance each Gameweek. Once

you've created a team you just need to enter the code (ahks19) to join SBCA Premier as well as keeping your team up to date adjusting for any injuries, suspensions or out of form players. The Fantasy League site will do the rest in terms of calculating your points and your position in the table.

We will provide regular updates including "manager of the month" and £100 cash for the winner of the league, which will finish in May 2020. Teams must be created by 7pm on 9 August to start scoring from Gameweek 1. If you've already got a team you just join our league and use the same team. Good luck!

## SHOWING OUR APPRECIATION



Chris is delighted to present Tom Young and Seamus Miller with boxes of wine as a thank you for referring us to new clients.

Do you know someone we could help? Find out how to refer someone to us on the back cover.

# RURAL AND FARMING CLIENT UPDATE



**Guest article by Simon Haley,  
SRH Agribusiness Limited**

There is a quote attributed to Donald Rumsfeld, ex-USA Secretary of Defence, in which he states the following:

*"There are known knowns.  
These are things we know  
that we know. There are  
known unknowns. That is to  
say, there are things that we  
know we don't know.  
But there are also unknown  
unknowns. These are things  
we don't know we don't  
know".*

When considering the future for the farming industry of continued grant and subsidy support, it is worth revisiting this comment above, and taking into account the reality of what we might be faced with post-Brexit.

We know that if the UK leaves with a deal, then we have a period until the end of 2020 when we are in transition, but the positive is that any rural development programme grant agreement signed up to before 31st December 2020 will be committed to for its lifetime by the UK government. This is a known known.

Without a deal, from November 2019 onwards we might be faced with further political turmoil

and uncertainty at a time when farming and food, especially for trade, needs solid ground and a commitment to quality standards and import practices. But making plans for this until it happens is not possible. And even though the UK government has committed to the same level of direct subsidy support until 2022 this could be upturned if a new general election happens before this point, or even if the mood of government policy shifts, at which stage we do not what might play out. These are known unknowns.

However, when considering what a domestic agricultural policy might mean for productivity, the trade landscape post-Brexit and freedom of movement conditions for people, goods and services, and the future relationship between conservation and cultivation, everyone is just guessing. And these are our unknown unknowns.

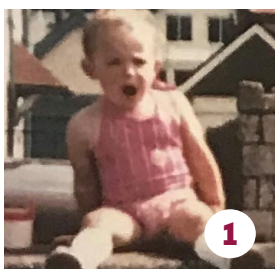
The reality of what is available now and what might be on offer in 10 years' time is very stark. Those businesses who continue to focus on the same objectives and strategies as the past 10 years will very quickly find themselves falling behind. Even treading water and standing still in relative terms will not be sufficient. Adaptive change is needed, with positive mindsets and proactive decision making.

Since the Brexit vote in 2016, there have already been 3 years that have passed to get your (farm) house in order, more than enough time to make decent strategic plans and refine them as time passes. But simply planning to make a plan and nothing more is not in itself a plan. And there are too many businesses adopting the ostrich mindset of ignoring the change around them and sticking to the same old principles (and heads in the sand).

To be blunt, get focused now, not in another 18 months or in 3 years. There is still time to be proactive towards change and stay ahead of the competition, to be innovative and to be collaborative towards elements of risk and of profit improvement strategies. Set objectives, monitor against them, refine, refresh and set new targets. The viability of your business depends on your ability to be flexible and to be focused.

Taking action now will pay tenfold dividends over taking action when it is too late, when reactive change is forced upon you, and when panic sets in. The landscape of the next decade is about innovation, efficiency and sustainability. It's up to you whether you're ahead of the pack, or whether you're content to follow the crowd and let business assets and profits diminish unnecessarily.

# CAN YOU GUESS THE TEAM MEMBER?



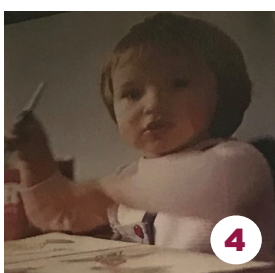
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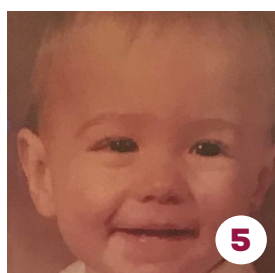
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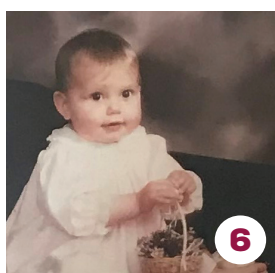
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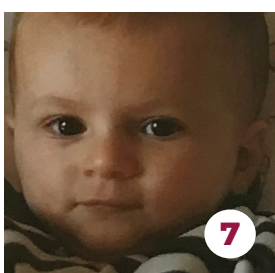
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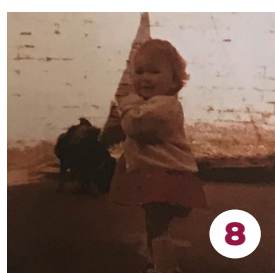
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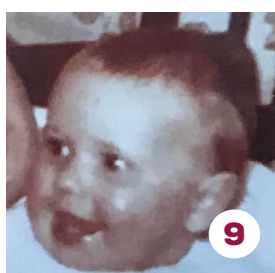
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11



12

Chris Bond [2] Alison Southworth [1] Faye Carter [5] Jane Taylor [12] Vicky Mina [6] Lynn Ripley [9] Laura Robinson [10] Becky Greaves [3] Donna Gillett [8] Gill Kelly [4] Aaron Livesey [7] Karina Karsakova [11]

To celebrate the arrival of Aaron's baby girl we held a competition in the office to guess the team member. Can you recognise anyone?

See the team's current 'looks' at <https://sbca.co.uk/about/>

(Answers at the bottom!)



## WINNING FEEDBACK!

Everyone who completes a feedback survey gets entered into a quarterly draw for a £25 John Lewis voucher (or other if they prefer). This quarters winner was Ian Booth from The League of Veteran Cyclists.

For your chance to win, lookout for an email with a link to the survey.

## SPREAD THE WORD

We love receiving referrals as it not only means we're doing a great job for you but also that you trust us to do the same for the people you have referred to us.

As a thank you you'll receive a free case of wine or food hamper just for introducing us to a business who becomes a client of sbca.

**GIVE US A CALL ON 01772 204102**



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