

Internal Use

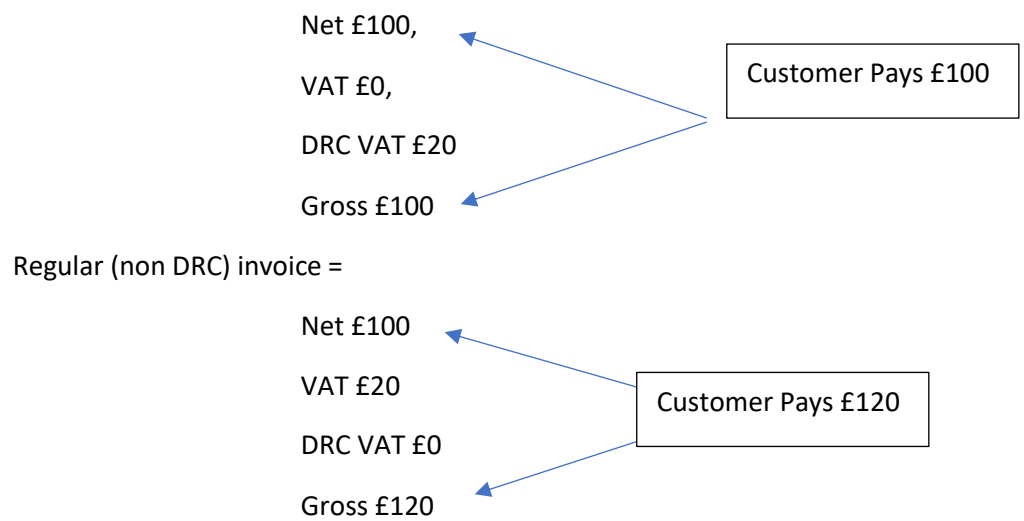
Hire Desk /Contract charging / Damage DRC procedure

Domestic reverse charge is a new way of accounting for VAT on operated hires of CIS activities if a certain criterion are present.

DRC VAT is effective from invoice dated from 01/03/21

A DRC invoice does not charge the customer VAT, but a regular invoice does

e.g. an Invoice of £100 net..... DRC invoice would be

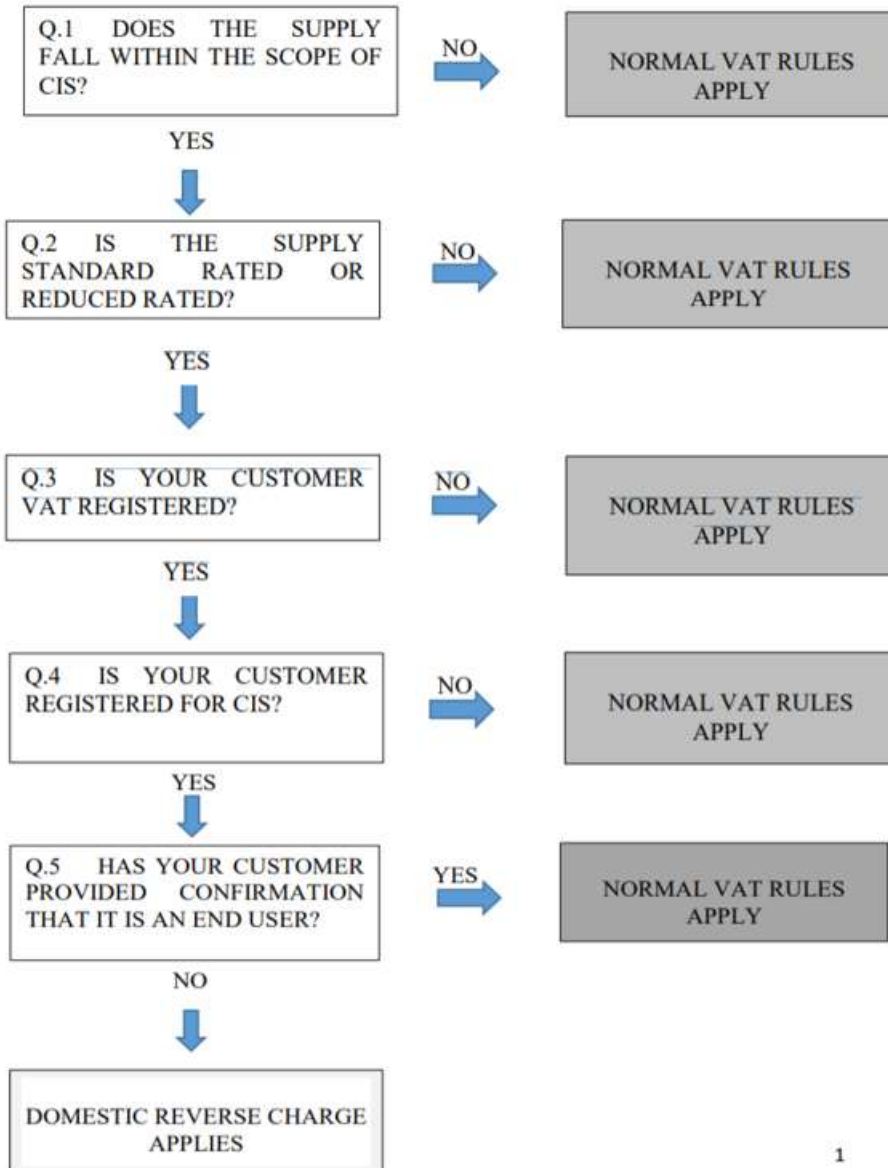


Here is a guide to the changes to be made when:

1. Taking a credit Hire – Existing Customers
2. Taking a credit Hire – New Customers
3. End User contracts
4. Taking a cash Hire
5. Billing out contract charges
6. Billing out Damages

The following decision diagram will need to be used in many cases

Fig1



1. Taking a Credit hire Existing Customers

In 95% of hires there will be no action required as the hire will be for an ongoing customer where the DRC status has been set in the background.

2. Taking a Credit hire New Customers

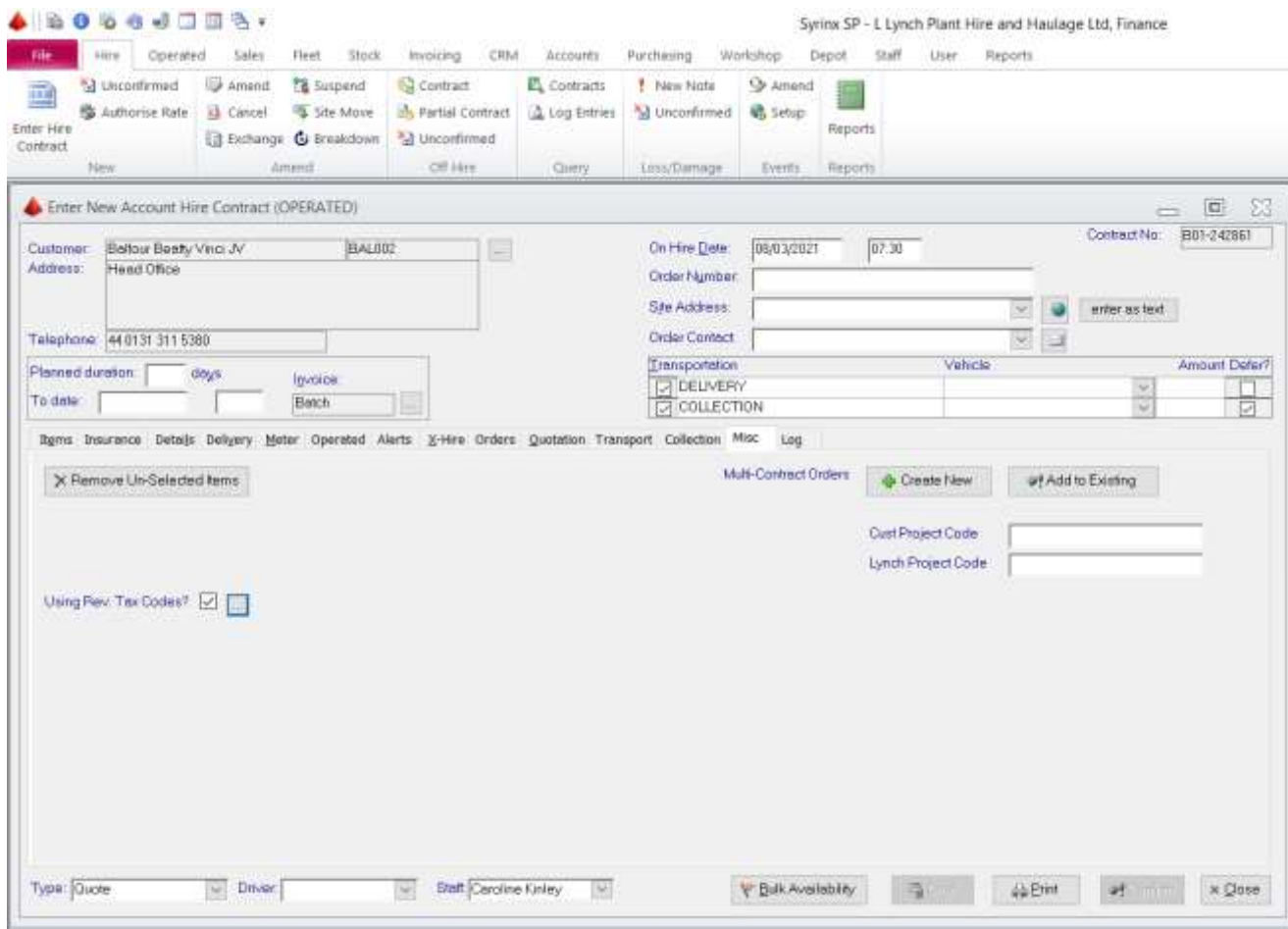
Intervention will be required for a new customer

1. The new customer form will require that for operated hires / Dayworks you to get the following:
 - a. Are activities within CIS
 - b. VAT number
 - c. CIS registration Y/N
 - d. UTR Number if CIS registered
 - e. Is the customer always the end user (ie making no onward supply)
2. Credit Control will then set up the customer with the correct DRC flags in Syrinx (and Dimensions) before you raise the contract.
3. You can then raise the contract as normal unless you are told that for this contract, the customer is the end user

3. End user Contracts

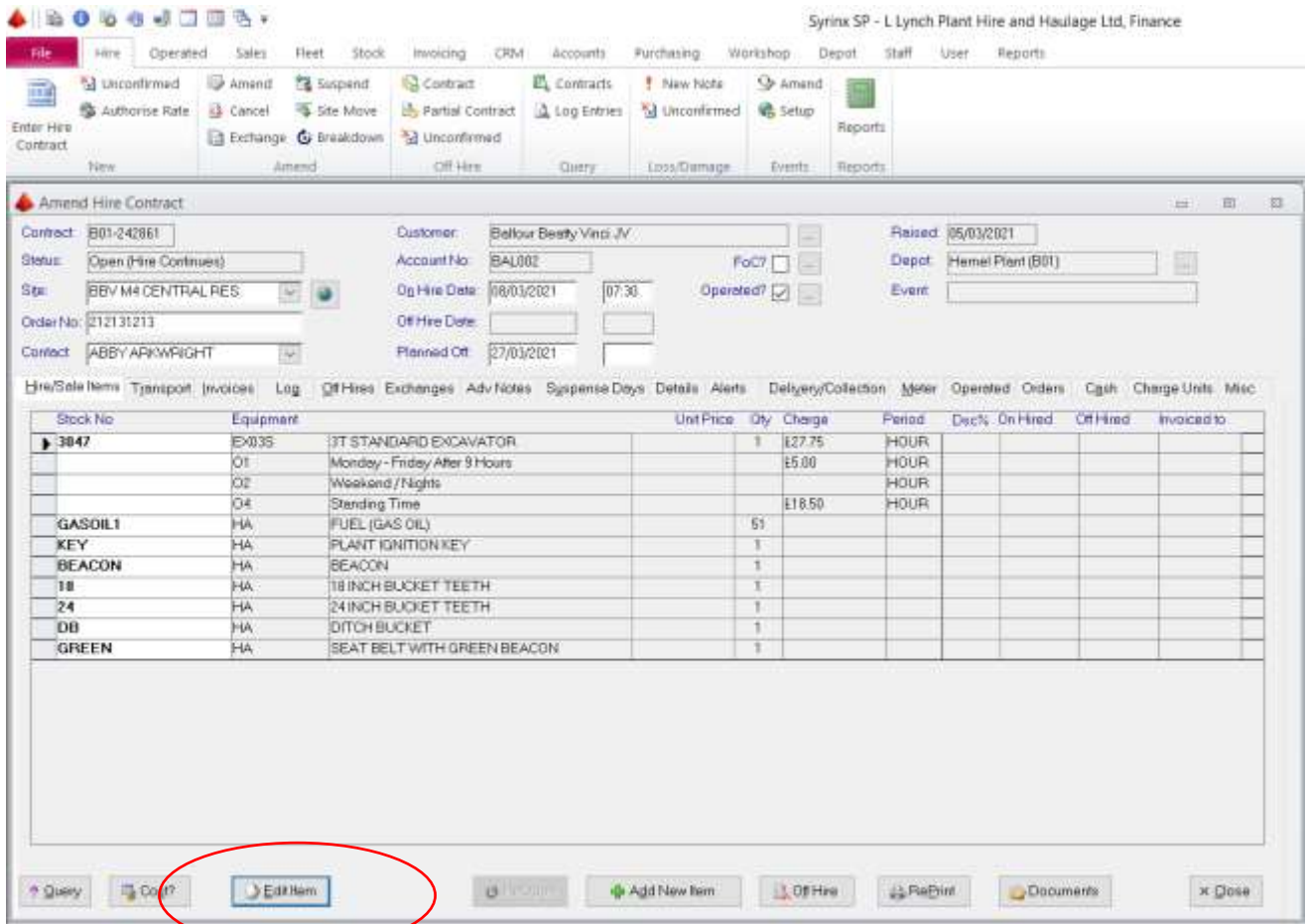
- a. You must then save a copy of the customer notification to the Docs folder on the contract **and** into 'S:\Shared\End Users and cash sales'
- b. On the contract you should go to the Misc tab and using the box next to 'Using Rev Tax Code' change to 'use non reverse tax.
NB this box is only visible when you are entering the contract for the first time, not amending it.
If you forget, see 'c' below

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- c. If you miss the chance to set the box in 'b' above, you will need to go into the contract and change the VAT on **each line** using the 'edit item'

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You then need to go onto the accounts tab and change the Tax code from C1 to 1 on every charge line (in this case the machine, 01 and 04 lines) . This will apply 20% VAT as normal.

The Edit Item tab looks like this:

Edit Hire Item

Equipment: EX03S 3T EXCAVATORS STANL Stock No: 3047

Description: 3T STANDARD EXCAVATOR

General Hire Rate Operated Accounts Substitution

Nominal Code: []

Tax Code: C1

Remove Item OK Cancel

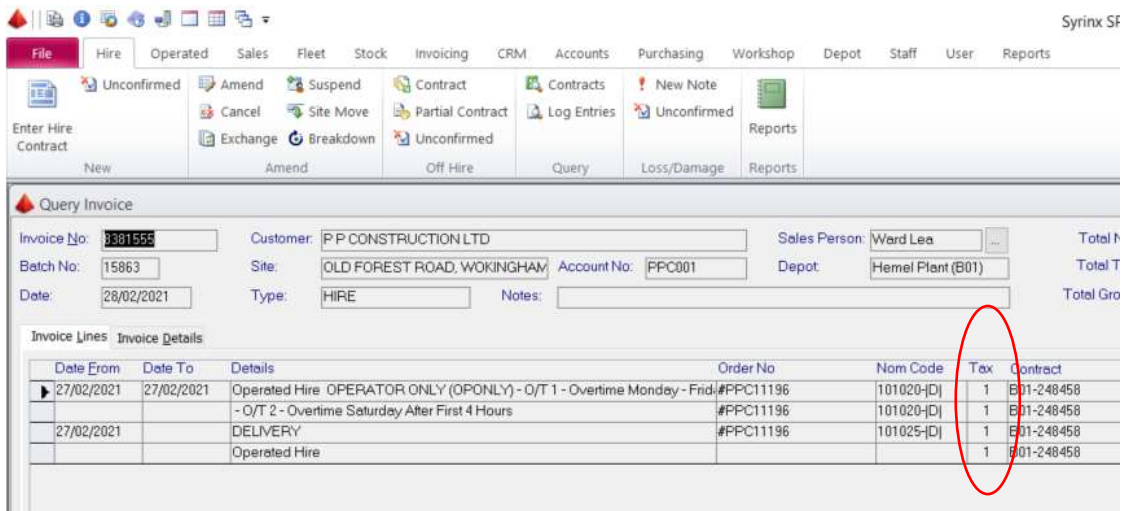
4. Taking a Cash Hire

- When taking a cash hire it is vital that we apply the DRC correctly
- Use Fig1 to ascertain if DRC should be applied
- If DRC should be applied, get confirmation via email from the customer of
- Are activities within CIS
- VAT number
- CIS registration Y/N
- UTR Number if CIS registered
- Is the customer always the end user (i.e. making no onward supply)?
- If the customer is not the end user for the contract and DRC applies, DO NOT CHARGE VAT
- Ensure that the contract does not apply VAT to the invoice (follow the steps in '3' above)

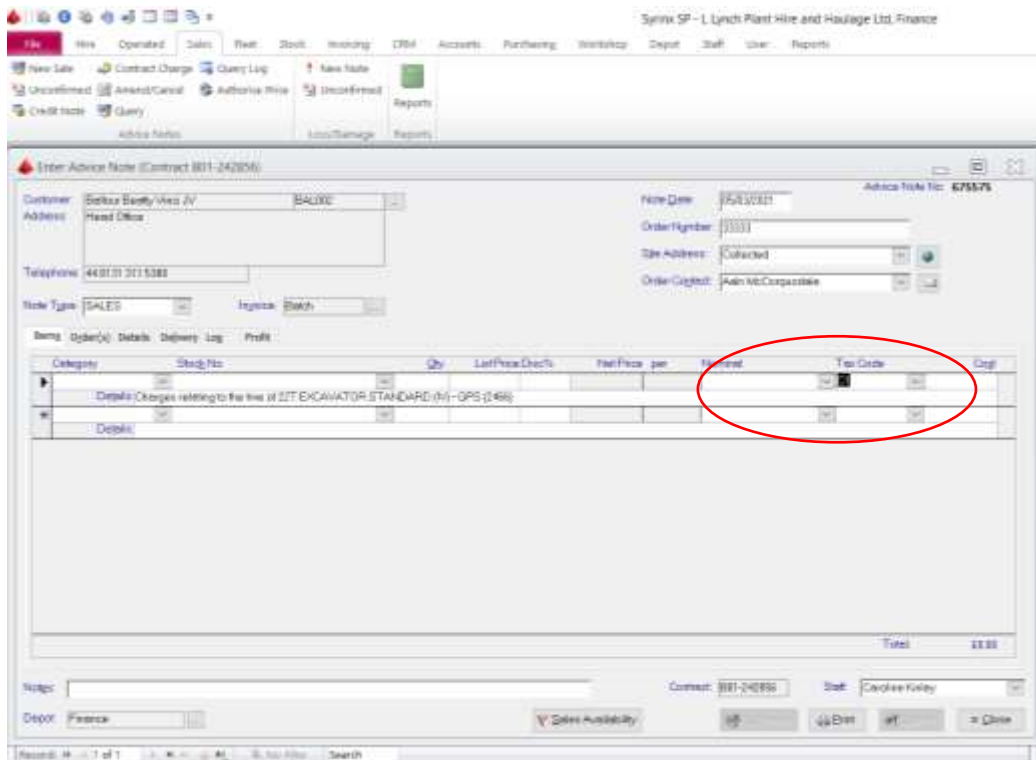
5. Billing out Contract Charges

- At the time of writing this is the process, but Syrinx may be able to provide improvements to this process going forward.
- When selecting contract charges, VAT codes **DO NOT** automatically match the contract.
- The easiest way to check that the correct VAT code has been added would be to look at the invoice that was last raised for a contract and see Tax code has been applied. 1 or 5 is regular VAT, C1 or C2 is DRC **This can only be done after the first DRC invoices are run off i.e. invoices dated from 1/3/21.**

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- i. If there are no invoices from Mar21, then batch the charges and run through them all in one go with Credit Control to see if DRC is applicable or not to the customer after first checking in the docs of the contract to ensure it is not an end user contract
- ii. If the Tax code C1 has been used, on when raising the contract charge codes C1 for Std VAT items and C2 for Fuel should be used. If 1 has been used, then use 1 for std VAT items and 5 for fuel as you do currently
- iii.



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6. Billing out Damages

Damages are outside of the original supply and therefore will be charged without any changes to the process.

7. New forms

As we roll the process out, we will get new forms updated and sent out so that information can be captured more easily.

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