



Construction Sector VAT Reverse Charge

Xero

To add the domestic reverse charge codes in Xero you need to go to Settings, click advanced settings, select tax rates, then there is a button which says 'Add Domestic Reverse Charge VAT Rates':

Advanced accounting >

Tax rates

Getting Started with Tax Rates Hide Getting Started

Account	Tax Rate	Amount
	Tax on Sales (8.5%)	
	Tax on Purchases (7%)	
	Tax Exempt (0%)	
	Zero Rated (0%)	

Every transaction line item you enter into Xero needs a Tax Rate. The Tax Rates you use will depend on the location of your organisation. Tax Rates can have multiple Tax Components. For instance, you can have an item that is charged a Tax Rate called "City Import Tax (8%)" that has two components: a city tax of 5% and an import tax of 3%.
You can generate reports on any Tax Rate and Tax Components.

If you need to report on income separately to expenses, or capital purchases separately to expenses, then you should create a separate Tax Rate for each.

- View more help for Tax Rates

New Tax Rate

Add Domestic Reverse Charge Tax Rates

Add Domestic Reverse Charge Tax Rates

The following rates will be included:

- Domestic Reverse Charge @ 20% (VAT on Income)
- Domestic Reverse Charge @ 5% (VAT on Income)
- Domestic Reverse Charge @ 20% (VAT on Expenses)
- Domestic Reverse Charge @ 5% (VAT on Expenses)

For more information on Domestic Reverse Charge Tax Rates, visit [Xero Central](#).

Cancel **Add Domestic Reverse Charge Tax Rates**

Example invoice:

Description	Quantity	Unit Price	VAT	Amount GBP
Construction work	1.00	200.00	Domestic Reverse Charge @ 20% (VAT on Income)	200.00
			Subtotal	200.00
			TOTAL DOMESTIC REVERSE CHARGE @ 20% (VAT ON INCOME)	0.00
			TOTAL GBP	200.00
			Less CIS Deduction 20%	40.00
			AMOUNT DUE GBP	160.00

Reverse charge applies to items marked with 'Domestic reverse charge'. Customers need to account for VAT on these items to HMRC, at the rate shown.