

VAT Agenda

Authenticated receipts

Authenticated receipts, rather than VAT invoices, are often used in construction contracts. HMRC currently accept that the employer can recover the VAT as soon as it has paid the contractor, without waiting for the authenticated receipt.

The draft guidance indicates a change of policy, saying that the employer can only recover the VAT once it actually has the authenticated receipt. Any delay on the contractor's part will therefore create a cashflow cost for the employer. Again, this will not be formally announced until later in the year, and it seems unlikely that HMRC will seek to apply it retrospectively.

This is an issue for anyone engaging a contractor for works that are subject to VAT, and using authenticated receipts. In negotiating contracts, you may wish either to consider the use of VAT invoices, where this problem does not arise, or to put a heavier onus on the contractor to issue authenticated receipts promptly.

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