



Construction Industry Scheme

What's it all about?

The Construction Industry Scheme (CIS) sets out the rules for how payments to subcontractors must be handled by contractors in the construction industry. All such payments must take account of the tax status of the subcontractor as determined by

HM Revenue & Customs (HMRC). Changes to the scheme in 2006 led to the abolition of CIS certificates and registration cards. These were replaced with the need to devise your own scheme of record keeping and design your own forms.



What is construction work?

Construction work carried out in the UK includes:

- Site preparation
- Dismantling
- Repairs
- Demolition
- Alterations
- Construction
- Decorating

What is a contractor?

A contractor is a business, or other concern, that pays subcontractors for construction work including:

- businesses that carry out construction operations
- any property developers or speculative builders, erecting and altering buildings to make a profit
- gang leaders organising labour for construction work.

Deemed contractors are those concerns that carry out construction work on their own premises or investment properties and whose average annual expenditure in the period of 3 years, ending with their last accounting period, exceeds £1 million.

Ordinary householders having work done on their own properties or building a new house for themselves are not considered contractors

What is a subcontractor?

A subcontractor is a business that carries out construction work for a contractor. It can include an agency if a worker carries out construction operations under the terms of the contract they have

with the agency. This is not the case if the agency merely introduces the worker to the contractor.

Contract

If a contract includes a mixture of construction and non construction operations, all payments under the contract fall within the scheme.



I am a new construction business, do I need to register?

You will need to register with HMRC by ringing 0845 3667899.

If you will be using subcontractors or employing workers you will also need to register on the New Employer Help Line 0845 6070143



How do I verify that a subcontractor is registered under the scheme?

The contractor must provide details of any subcontractor they employ and the HMRC will check if they are registered. HMRC will then provide the contractor with the rate of deduction to apply to any payments made and a verification number, which is particularly important if payments are made at the higher rate of tax.

Verification is not needed if the subcontractor was included on a return in that tax year or in the previous 2 tax years. During the year to 5th April 2008 verification is not needed if the subcontractor has been included on a return in the year or paid since 5th April

2005 and the contractor had seen either:

- A registration card CIS4(P) or
- A temporary registration card CIS4(T) with an expiry date of April 2007 or later or
- A Tax Certificate CIS6 or CIS5 with an expiry date of April 2007 or later

What are a contractors obligations?

Monthly returns (including nil Returns) must be sent to HMRC for all payments made under the Scheme.

Each month (or quarter in some cases) a payment of deductions should be made to HMRC.

The contractor must provide a written statement to the subcontractor, from whom a deduction has been made, by the 19th of the following month.

The minimum information this must contain is:-

- The contractors name and employers tax reference
- The tax month end date
- The subcontractors name, unique tax reference number (UTR) and personal verification number
- The gross amount, cost of any materials and the amount of the deduction

Do I have to register all my subcontractors?

No. If you have paid a subcontractor under the old CIS scheme since 6th April 2005 you do not need to verify them for the new scheme.

Once a subcontractor has been verified under the new scheme you can continue to pay them without having to verify them again.

Can subcontractors still be paid gross?

Yes. The rules for gross payment have not changed. If a subcontractor held a gross payment certificate under the old CIS

they will be entitled to be paid gross under the new CIS.

Would it be easier to do all this on my computer?

The new CIS allows for records to be kept electronically and the Revenue encourages contractors to file and pay deductions on-line. Information can also be provided to subcontractors electronically.

Monahans IT support division, can provide a new module of Sage Line 50 which is specifically designed to ease the burden of compliance with the new CIS rules, particularly for larger contractors.



Further Information

For further advice and assistance please speak to Monahans construction industry specialist Stephen Fry on **01458 836810** or email stephenf@monahans.co.uk.

You can also visit the Revenue's website at www.hmrc.gov.uk