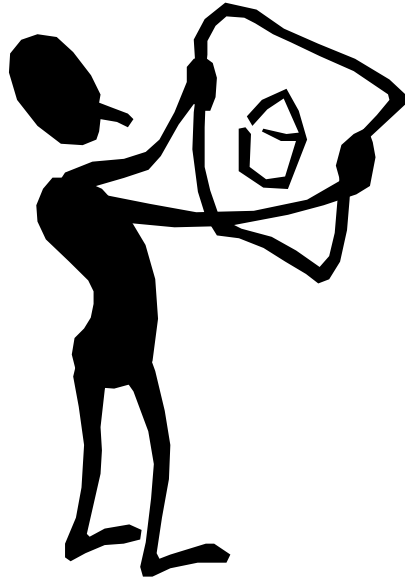

LLEWELYN DAVIES
CHARTERED ACCOUNTANTS

CONSTRUCTION
INDUSTRY SCHEME (CIS)



Working as a team

www.llewelyndavies.co.uk

CIS

The current scheme was introduced on 6th April 2007.

One of the main changes was that there are no longer be any cards, certificates or vouchers.

The latter were replaced by a “verification” service so that contractors can check if their subcontractors are registered and whether they can be paid gross or net.

The rate of deduction was increased from 18% to 20%.

SUBCONTRACTORS ARE REQUIRED TO REGISTER FOR THE NEW CIS WITH HM Revenue & Customs (HMRC)

Subcontractors already registered with HMRC on 6 April 2007 would have had their details automatically transferred under the new scheme on the same basis.

The contractor must provide the subcontractor with a statement each month of the deductions made.

Those who first start working in the construction industry on a self employed basis after 6th April 2007 will need to register for new CIS otherwise they will have deductions at the higher rate made from their payments.

To register as a subcontractor under new CIS contact HMRC by:

- Telephone 0845 366 7899
- Internet at www.hmrc.gov.uk

CONTRACTORS ARE REQUIRED TO VERIFY THE SUBCONTRACTOR WITH HMRC

HOW TO VERIFY

Contact HMRC by

- Telephone 0845 366 7899
- Internet at www.hmrc.gov.uk/new-cis

Provide the following in respect of the Contractor:

- Name
- Unique Tax Reference (UTR)
- Accounts Office Reference

Provide the following in respect of the Subcontractor:

- Name
- Individual, Partnership or Company UTR
- National Insurance number if individual
- Company registration number if a company

THERE ARE THREE POSSIBLE VERIFICATION RESULTS

- 1) **Gross** – pay the subcontractor without making deductions
- 2) **Net** – pay the subcontractor net of the standard deduction 20%
- 3) **Unmatched** – this means they cannot be found on the HMRC system. The subcontractor will have to sort this out with HMRC. In the meantime the Contractor must pay them with deduction at a higher rate of 30%.

Under options (1) and (2) above HMRC will provide the Contractor with a verification number, which will look something like: V0000543267.

If the subcontractor is unmatched the number will have an extra letter at the end: V0000543267/R

These numbers need to be kept for future reference.

MONTHLY RETURNS

Contractors must make a monthly return to HMRC detailing the payments made, whether gross or under deduction together with declarations confirming that employment status has been considered, and that the verification process has been applied correctly.

The Contractor must ensure that these returns and payments due are sent by 19th of each month if sent by post; and by 22nd of each month if sent electronically – this includes a nil return if no subcontractors have been paid in the month. Contractors who miss this deadline will be charged an automatic penalty of £100. If there are more than 50 subcontractors on the return the penalty is higher – it goes up by £ 100 for every additional block of up to 50 subcontractors on the return.

HMRC charge these penalties for each month a return is late together with further penalties up to 12 months and a final extra penalty where the return is over 12 months late.

There will also be a penalty if the entries on the return are incorrect. This includes making an incorrect employment status declaration. Hence it is important that contractors ensure they have correctly determined the employment status of their current workers and of workers they engage in the future.

The monthly return can also be sent electronically or over the Internet.

EXAMPLE OF A PAYMENT AND DEDUCTION STATEMENT

To be given to subcontractors paid under deduction

- On a payment basis, or
- Monthly, where this is less frequent

Any Contractors Ltd

56 High Street

Anytown

Contractor's Employer's Reference Number 123/45678

Construction Industry Scheme

Statement of payment and deduction for month ending: 5th May 2013.

Subcontractor - Mr A N Other

Unique Taxpayer reference 98765 43210

Verification number *

	£
Labour	200.00
Materials	100.00
Travelling	50.00

	350.00
VAT £350 @ 20% **	70.00

	420.00
CIS (£200 + 50) @ 20%	50.00

Payment	£370.00
	=====

* Verification number only to be entered where a deduction at the higher rate has been made.

** Exclude if subcontractor not VAT registered.

FURTHER INFORMATION

CIS 340 – Guide to the Construction Industry Scheme

CIS 349 – Are your workers employed or self-employed

We hope the contents are a useful summary. We have taken every care in the preparation of the leaflet, however we can accept no responsibility for any loss occasioned by any person acting or refraining from action as a result of this material. If you need any further assistance please contact one of our Offices.

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