

A GUIDE TO CIS FOR CONTRACTORS

CIS applies to any construction operations carried out across the UK. Generally, the CIS scheme covers work to buildings including site preparation, decorating and refurbishment but excludes things like architecture and surveying, hire of scaffolding without labour, carpet fitting and delivery of materials

HOW DO I KNOW IF I AM A CIS CONTRACTOR

The scheme applies to all types of contractors operating in the construction industry. It doesn't matter whether you are set-up as a sole-trader, partnership or a limited company; if your business operates in the construction industry or conducts work related to construction, then you'll need to register for CIS with HMRC.

1. REGISTER

You must register for CIS before you take on your first subcontractor. You will need to follow the process on the government gateway to set up as a new employer with HMRC first

2. VERIFY

Before you can pay anyone you must first verify them with HMRC to confirm their status and find out what rate of deduction you must apply. This could be Gross i.e. no deductions, 20% or 30%

3. DEDUCT

You will know how much you need to deduct from your subcontractor's payments once you have verified them. As a contractor, you must provide sub-contractors a CIS voucher/certificate confirming any deductions you have made

4. SUBMIT

Payments made to subcontractors must be reported to HMRC each month through a monthly CIS return submitted by the 19th of each month following the last tax month. For instance: if you're making a return for the tax month of 6 August to 5 September, the return must reach HMRC by 19th September.

5. PAY

HMRC must be paid any deductions you've made by the 22nd (or the 19th if paying by post) of each month. If you already have employees, HMRC will change your existing PAYE Scheme to a PAYE/CIS scheme



A GUIDE TO CIS FOR SUBCONTRACTORS

You will need to register as a subcontractor if you are self-employed, a partnership or a limited company and working for a contractor. The contractor will usually deduct 20% and pay this to HMRC on your behalf. These payments will count as advance payments towards your Tax and National Insurance bill.

GROSS STATUS

If you don't want deductions to be made in advance by contractors, you can apply for 'gross payment status'. You can apply for Gross Status when you register for CIS. There are criteria you need to meet to be able to qualify for Gross Payments.

1. You've paid your tax and NI on time in the past
2. Your turnover must be at least £30,000 for a sole trader or £30,000 per partner/director, or at least £100,000 for the whole partnership or company over the last 12 months.

1. REGISTER

If you're a sole trader and you already have a UTR you can register for CIS online by logging in with your Government Gateway ID. If you are a partnership or a limited company there is an online form to complete to register.

2. INVOICE

You will need to send the contractor an invoice for the work you have done but remember contractors won't make a deduction for VAT, materials and equipment. To ensure contractors don't deduct too much from you, show these separately on your invoice

3. GET PAID

Contractors will give you a monthly statement of what they've paid you and deductions they've made to help with your accounting.

4. SOLETRADER

If you're a sole trader, when you submit your self-assessment, you should note how much CIS has been deducted from you during the year. This will be deducted from your overall bill. If you're due a refund, HMRC will pay you back.

5. LTD CO

If you pay CIS deductions, you must claim these back through your company's monthly payroll scheme. Don't try to claim this back through your Corporation Tax return - you may get a penalty if you do. HMRC will pay back any deductions your company hasn't been able to claim back from its PAYE bill during the tax year. You will need to either write to HMRC or use the online form in order to claim this back.

01736 755107

www.Bickerstaffs.co.uk