

Construction Industry Scheme (CIS) guide



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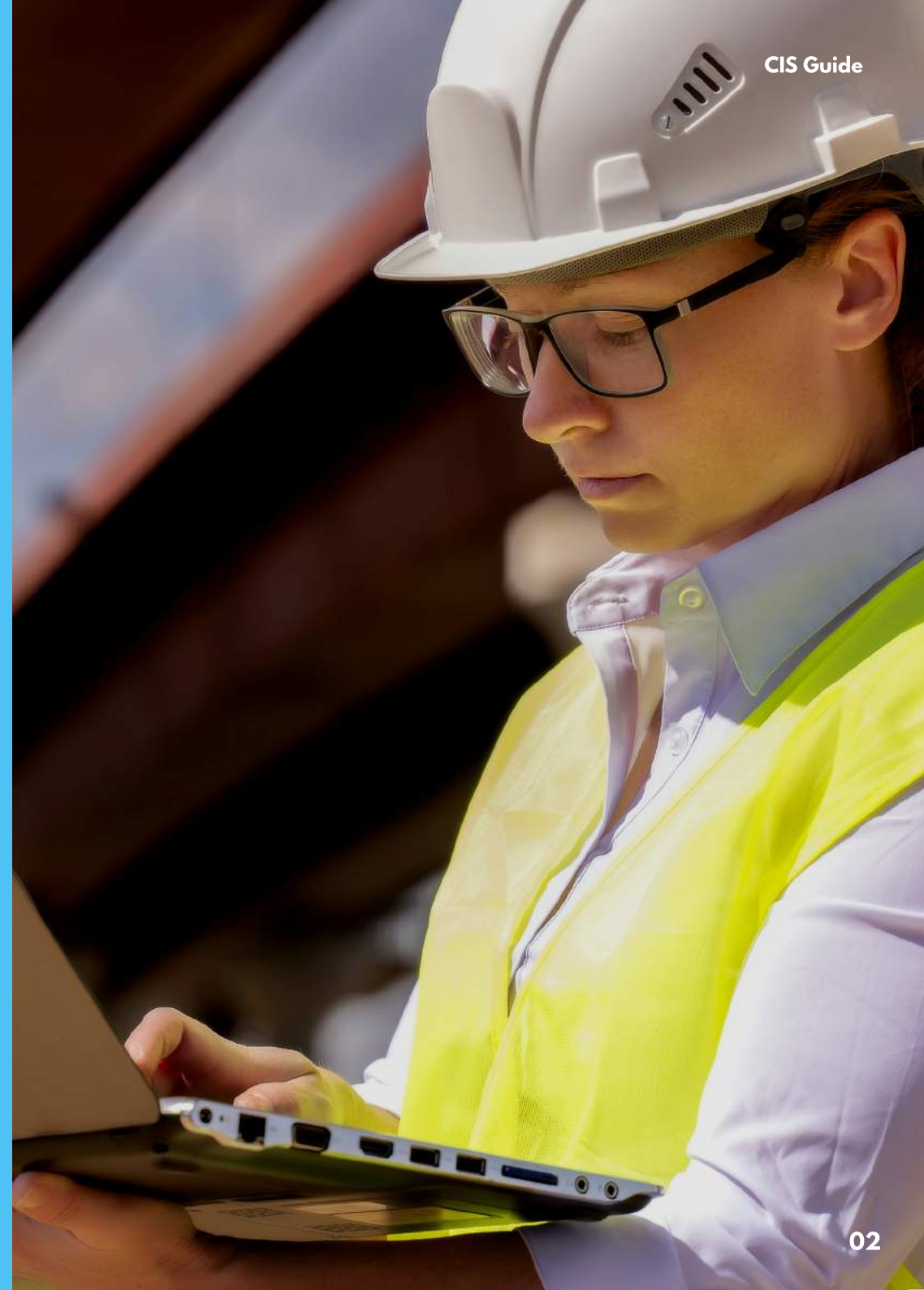


What is the Construction Industry Scheme?

The Construction Industry Scheme (CIS) is a type of tax applied to certain construction workers.

It means that contractors must deduct 'CIS Tax' from their sub-contractors, and send this tax directly to HMRC each month.

The scheme doesn't apply to employees, only sub-contractors who work in construction.



Contractors

This section is only applicable if you are a contractor, i.e. you hire sub-contractors in your business.

When you need to register for CIS

If your construction business pays sub-contractors (not employees) for construction work, you must register with HMRC.

Construction work means most types of work in the industry but there are exceptions:

- ✓ Architecture and surveying
- ✓ Scaffolding hire
- ✓ Carpet fitting
- ✓ Making materials
- ✓ Delivering materials

If your business falls into one of these categories then you do not need to register.



Your obligations as a CIS contractor

You must register as a contractor for CIS before you take on your first sub-contractor. After hiring a sub-contractor, you should verify with HMRC that they are registered as a sub-contractor for CIS.

If they are verified, you will likely deduct 20% CIS tax from their pay.

However, if you cannot verify them then you will need to deduct 30% tax from their pay.

Monthly

You will need to file monthly 'CIS Returns' with HMRC.

These will show much you paid to the sub-contractor, and how much CIS tax you deducted.

A monthly CIS return runs from the 6th-5th of the next month, with the submission and payment deadline being the 19th.

For example, if you pay your first sub-contractor on 10th February this would fall in the monthly return for period 6th February to 5th March and the deadline to submit and pay would be 19th March.

Each time you pay sub-contractors and deduct CIS tax you must provide them with a statement to show the deductions. They will need these statements for their own records.



Registering as a contractor for CIS

You must first register your business as an employer. You can do this online [here](#).

On the application form select the option which confirms you will have CIS sub-contractors.

This will automatically require your business to complete CIS returns each month, from the date of registration.

If your business is already an employer then you can contact HMRC to let them know when you'll be taking on your first sub-contractor.



Sub-contractors

This section is only applicable if you are a sub-contractor, i.e. when you are working for a contractor.

When you need to register for CIS

If you're self-employed or have a company in the construction industry and work for contractors, then you should register as a sub-contractor.

Once you become registered for CIS, your contractor will deduct 20% CIS tax from the money you are paid.

If you do not register, the contractor will deduct 30% instead.

With this in mind, you should register as a sub-contractor with HMRC before you start working for a contractor.

Registering as a sub-contractor for CIS

You can register as a sub-contractor with HMRC online. Which form you complete will depend on your business type, i.e. sole trader or limited company.

You can click [here](#) to register as a CIS sub-contractor.



What happens to the CIS tax deducted?

The tax deducted from you by your contractor will be sent to HMRC each month.

Your contractor has an obligation to issue you with monthly statements showing how much they have sent to HMRC on your behalf, and how much they have paid to you.

Keep these statements in a safe place, you may need them if there is a discrepancy or dispute later.

The tax deducted from you by your contractor will either be offset against the tax you owe, or repaid to you if the amount is more than you owe.

The way you offset or reclaim this amount will depend on your business type.



Sole traders and CIS tax

The amount you have had deducted in CIS tax for a tax year is simply entered on your tax return, and will reduce your tax bill.

If the amount you have been deducted is more than the tax you owe then HMRC will repay the difference to you, in the form of a tax rebate.

This is highly likely for people work predominantly as CIS sub-contractors.



Limited companies and CIS tax

The most common way for a company to show the CIS tax deducted is through its payroll.

If the company has employees and/or sub-contractors and owes tax/NI each month, then this liability is reduced by the amount of CIS the company has had deducted from it in that month.

If the company does not pay employees, then the amount of CIS deducted can be reclaimed from HMRC at the end of the tax year.

It is possible to offset the CIS deducted against corporation tax, but this can complicate matters - HMRC's departments don't always communicate with each other very well!

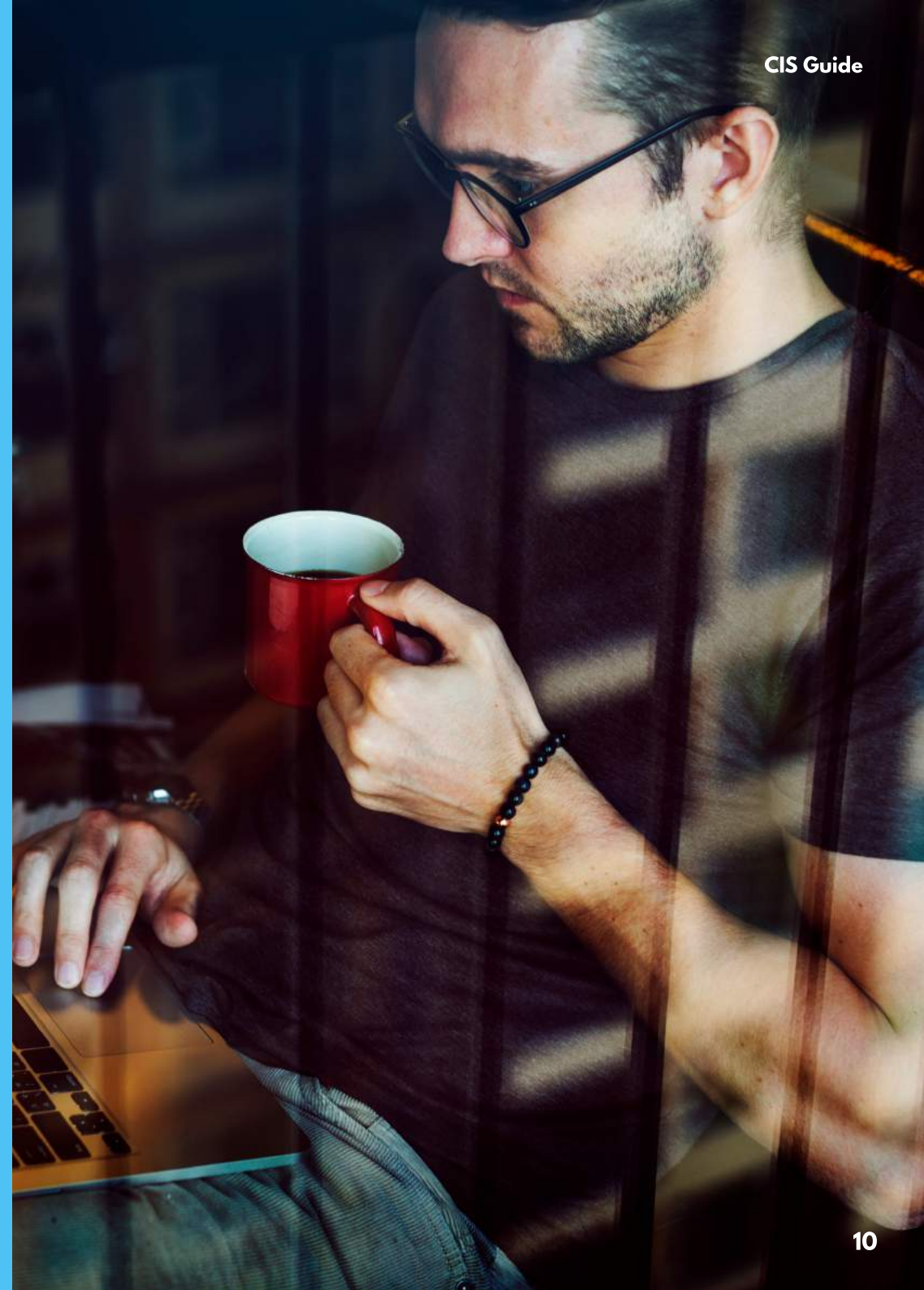
We recommend that you request the CIS repayment and use that money to pay some/all of your corporation tax if there is any due.



Does CIS tax have to be deducted from me?

It is possible to apply for 'gross status' when you register for CIS. If you meet certain criteria, your contractors will not deduct CIS tax from you.

This can be particularly useful if you are a sub-contractor and a contractor. As having 20% deducted from you, whilst also having to pay sub-contractors can dramatically affect cash flow.





Looking for more help with your CIS returns?

If you have any further questions simply call us on 020 3355 4047 and one of our friendly accountancy advisors will be happy to help.

 [Get An Instant Quote](#)

