



## **Construction Industry Scheme (CIS)**

### *What you need to know.*

#### **What is CIS and why do I need it?**

CIS stands for the Construction Industry Scheme. It was introduced by HMRC in 1971 to counteract perceived tax evasion that was happening within the industry.

If you are a Contractor in the construction industry that pays Subcontractors for work, it is mandatory for you to register for this scheme before you take on your first Sub-contractor. If your company doesn't work in construction but you have spent more than £3 million on construction in the last 12 months since you made your first payment, then you must also register for the scheme.

It is a system that was put in place so that Contractors can deduct money from a Sub-contractors pay and pass it on to HMRC. These deductions go to HMRC as advance payments for Tax and NI rather than leaving the subcontractor to pay it all in one go at the end of the tax year. If you are a Contractor, you also have the responsibility of checking if the person should be an Employee rather than a Sub-contractor and it's essential that your contract agreements are drafted correctly.

You only need to register if you work *specifically* in construction. For example, if you are a carpet fitter, or hire scaffolding equipment without installing it, an architect or surveyor, this is not classified as construction work. If you are building or demolishing, this is considered construction. Construction also covers installing heating, lighting, power ventilation systems or making alterations, repairs or decorating. It also includes cleaning the inside of a building

after the construction work has taken place. So, if you are unsure if your role falls into the category of 'construction' please contact us and we will assist you.

### **How do I register?**

Contractors must register via HMRC, which will enable them to process these payments. Although it is not compulsory for sub-contractors to register, it is in their best interest to do so, as their deductions will be higher if they don't.

### **As a Sub-contractor how much is deducted from my pay?**

This will depend on whether you have registered for CIS as a Sub-contractor. If you haven't, you will have a higher amount deducted at the point of being paid, so it is best practice to register. If you register, you will have 20% of your pay deducted. If you do not register, you will have 30% deducted. For example, if you are registered with CIS and you have invoiced your Contractor for £1,000. They will pay you £800, and the remaining £200 will go to HMRC to go towards your tax and NI contributions for the year.

### **Am I paying tax twice? Will I get taxed again when I file my tax return?**

No. The money that is deducted from the subcontractor's pay is submitted to HMRC each time they are paid. This is then taken account of at the end of the tax year when you file a return. Put simply, at tax year-end all income and expenditure for the year is entered on a tax return, where the tax and national insurance liability is calculated. If the amount that has been deducted over the year is more than this, a rebate is given, if it is less than this the difference has to be paid.

*If you need to register for CIS contact **HMRC** online*