

# Construction Industry Scheme (CIS)

As you probably know The **Construction Industry Scheme (CIS)** is a tax scheme created by HM Revenue & Customs for contractors and subcontractors.

Now remember **CIS** rules apply to **all** payments made by a contractor to a subcontractor under a construction contract but does not apply to employees.

## So, What Happens?

Under the CIS scheme contractors deduct money from a subcontractor's payments and pass it to HMRC – contractors act as the middle men.

The deductions count as advance payments towards the subcontractor's tax and National Insurance.

Contractors **must** register for the scheme. Subcontractors can but don't have to.

## Subcontractors There is Though A Reason You May Wish to Register

By law you do not have to register with the CIS scheme **however** deductions are taken from subbies payments at a higher rate if they're not registered. Currently registered tax is 20% at source unregistered and you will be hit with 30%.

## So, Who Counts as A Contractor or Subcontractor?

*Register as a contractor if either:*

- You pay subcontractors for construction work
- Your business doesn't do construction work, but you spend an average of more than £1 million a year on construction in any 3-year period.

*Register as a subcontractor if:*

- You do construction work for a contractor
- You must register as both if you fall under both categories.

## Work covered by CIS

CIS covers most construction work to:

- A permanent or temporary building or structure
- Civil engineering work like roads and bridges.

For the purpose of CIS, construction work including:

- Preparing the site, e.g. laying foundations and providing access works
- Demolition and dismantling
- Building work
- Alterations, repairs and decorating
- Installing systems for heating, lighting, power, water and ventilation
- Cleaning the inside of buildings after construction work.

## Want to Know the Exceptions to the Rules?

You don't have to register if you only do certain jobs, including:

- Architecture and surveying
- Scaffolding hire (with no labour)
- Carpet fitting
- Making materials used in construction including plant and machinery
- Delivering materials
- Work on construction sites that's clearly not construction, e.g. running a canteen or site facilities

## Is Your Business Based Outside the UK?

The same rules apply if your business is based outside the UK, but you do construction work as a contractor or subcontractor in the UK

For further info about this scheme ring 01603 720424 and chat with our CIS expert or email [phil@hornbeam-accountancy.co.uk](mailto:phil@hornbeam-accountancy.co.uk)



Hornbeam Accountancy Services Ltd

Hornbeam House, Bidwell Road, Rackheath Industrial Estate, NR13 6PT

T: 01603 720424 W: [www.hornbeam-accountancy.co.uk](http://www.hornbeam-accountancy.co.uk) E: [info@hornbeam-accountancy.co.uk](mailto:info@hornbeam-accountancy.co.uk)