

Subcontractors and the Construction Industry Scheme (CIS)

Those who are required to register should:

- phone the CIS Helpline on 0845 366 7899, or
- visit www.hmrc.gov.uk/new-cis if they are not registering for gross payment.

If you have not been paying tax or national insurance contributions before, you will have to go to a local HMRC office for an identity check.

Registration for gross payment is possible where the subcontractor's business meets certain conditions, including a construction labour turnover of at least £30,000 each year.

When you first work for new contractors, they must be satisfied that the contract between you is one of self-employment. This can be quite a contentious area. The HMRC website contains an employment status indicator (ESI) tool which can be used for individuals or groups of workers. This will, however, provide only an indication of employment status. It will not give a definitive or legally-binding opinion.

You need to give the contractor your name, unique taxpayer reference (UTR) and national insurance number (NINO), if known. The contractor will then contact HMRC for verification of your payment status and will be informed whether or not you are registered for the new CIS, and if you are whether they must pay you gross or 'under deduction'.

The deduction, which is on account of your eventual tax and Class 4 national insurance bill, will be taken at the standard rate of 20% on the labour element of the work you have carried out. Any subcontractor who is not registered under CIS will have tax deducted at the higher rate of 30%.

If you are being paid under deduction, your contractor must give you a written or faxed payment statement (which may also be given electronically where you have agreed to this method) showing how much you have been paid and the deductions that have been made from your payments. Your contractor will give you a payment statement for each tax month or may choose to give you one with each payment where these are more frequent.

When you have prepared your Self Assessment Tax Return, you may receive a repayment if the deductions are more than you owe, or be asked to pay more if the deductions are not enough to meet your bill. If your accounting period ends early in the tax year, you may know your tax and Class 4 national insurance contributions bill before the end of the tax year. If this is less than deductions already taken from your payments, you may apply for an 'in-year repayment'.