

## Building and Trades

### Changing CIS Registration from standard deductions to Gross Payment

A sub contractor is likely to initially apply for standard registration. As the business grows and develops, the client may wish to move from deduction registration, where 20% is deducted from labour charges, to Gross registration, where no deductions are made. A more detailed outline of the application for a Tax Certificate can be found at:

<http://www.hmrc.gov.uk/cis/subcontractors/gross-paid-review.htm>

Gross registration is made via an application form: -

CIS302 for Sole Traders.  
CIS304 (Partners) for Partnerships.  
CIS305 (Company) for Companies.

All the forms can be found at

<http://www.hmrc.gov.uk/manuals/cisrmanual/CISR96020.htm>

A subcontractor will only receive Gross Status (Tax Certificate) if three tests have been passed.

- Business Test.
- Compliance Test.
- Turnover test.

New businesses can only apply using the 12 month test after a minimum of 12 months has elapsed, the Gross Tax Certificate may be liable to be reviewed under the tax treatment qualification test (TTQT) if the application is made using data over three years the Tax Certificate may be valid for three years.

When the Inland Revenue is satisfied that gross status is applicable, a letter will be issued to all the contractors will be informing them in writing of a subcontractor change in payment status.

A subcontractor that achieves the gross payment status will receive a letter informing them of this, and all contractors that use them should also be sent a letter informing them that no deductions should be made. As a wise precaution the subcontractor should also inform all contractors and include a copy of the new status letter.

Once the work has been completed the contractor must issue a payment voucher for the Gross Payment.

From April 2007 the CIS voucher system was replaced by a new monthly contractors return.

The rules for applying for Gross payments remained unchanged under the new system.

A summary of the latest information outlining the new proposed system can be found at [Latest Updates CIS system](#)