

## Building and Trades Sub Contractors Registration

The Inland Revenue operates a Construction Industry Scheme (CIS) which is primarily targeted at the self employed within the construction industry, but can also cover companies and partnerships.

The contractor is the individual, partnership or company employing, and as such has a number of requirements placed upon them. Private householders are NOT contractors if they are having work done on their own premises.

A subcontractor will only receive a gross registration (Tax Certificate) if three tests have been passed.

- Business Test
  - Carrying on a construction business or supplying labour
  - Running a business bank account
  - Run from proper premises, with proper stock, equipment and facilities
  - Run with proper record keeping procedures, and paperwork.
- Compliance Test
  - Completed and returned all tax returns due
  - Supplied all information required by the tax office
  - Paid all the personal tax due, business tax and personal NIC.
  - Paid all PAYE and NIC due as an employer
  - Paid all deduction due from the business as a contractor
- Turnover test
  - Based on net turnover from construction work, where materials have been deducted.
  - HMRC assess business turnover from construction work for the 12 months the business applies for gross payment status. Ignoring VAT and the cost of materials, the construction turnover must be at least:
    - £30,000 a sole-trader
    - £30,000 for each partner in a partnership, or at least £200,000 for the whole partnership
    - £30,000 for each director of a company, or at least £200,000 for the whole company
    - If five people or fewer control the company, it must have an annual construction turnover of at least £30,000 for each of these individuals.

Test	Sole Trader	Partnerships	Companies
Standard test 3 years within the 4 years up to the date of application, with averaging.	£30,000	£30,000 x number of Partners	£30,000 x number of “relevant persons”
Alternative 3 years within the 4 years up to the date of application, with averaging.		£200,000 in each year	£200,000 in each year

When the Inland Revenue is satisfied that a Tax Certificate for receiving gross payments is applicable a letter will be issued to all contractors and this is then used for all verification purposes.

The letter must be seen by a contractor before works commences, and copies of the details have to be kept on file.

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