

Building and Trades CIS Registration Sub-Contractors

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 scheme DOES NOT apply to construction work carried on outside the UK, but does apply to all UK construction including alterations, repairs, decoration and demolition.

Private householders are NOT contractors if they are having work done on their own premises, and can therefore employ a sole trader without making deductions for tax.

To apply to be a sub contractor the sole trader must complete a registration form details of which can be obtained by ringing

Sub Contractors 0845 300 0581 Mon-Sun 8.30am-10.00pm

Under the new CIS the subcontractor will still be required to visit the local tax office and apply in person.

The subcontractor will need to have details of

- National Insurance number
- A recent passport sized photograph
- Full Name
- Full Address
- Details of the subcontract work that is intended.
- Any Unique Tax Reference (10 digits) that have already been issued as part of self employment.

Once registered a sub contractor number is given, this number is 13 digits, and the first 10 are the Unique Tax Reference which will be used for the subcontractor's self assessment. The verification letter is important and should be kept in a safe place.

When a contractor hires a sub contractor they are legally required to check the CIS registration, confirm the identity of the holder, and decide if that person is employed or self employed.

A photocopy of the CIS verification letter should be taken by the Contractor for documentation purposes, where it is available, otherwise they should ring the CIS helpline to verify the subcontractor over the phone.

CIS Helpline 0845 366 7899

The sub contractor when issuing an invoice to a contractor should show the amount NET and GROSS where vat registered and the amount of deduction, calculated currently at 20%(is taken off the NET figure) - changes to this level will be well publicised before they are actioned.

The following items must be EXCLUDED

- VAT charged by the subcontractor
- Construction Industry Board levy

The following items must be DEDUCTED from the Gross amount

- When the subcontractor has paid for materials (inc VAT paid if not registered for VAT) consumable stores, fuel (except fuel for travelling) and plant hire
- The cost of manufacture or prefabrication of materials used in the construction operations.

The following should be INCLUDED

- All travel (including fuel) and subsistence paid to the sub contractor

Where materials are purchased, the sub contractor should supply evidence of the purchases, or the contractor needs to be satisfied that the actual costs match estimates.

The Contractor will issue the sub contractor with a payment slip.

The Contractor is obliged to pass on the sub contractor slip to each sub contractor. These slips are PROOF that a deduction has been taken, and it is important they are checked against invoices and filed safely.

Where a contractor is late, or fails to issue sub contractor payslip the sub contractor needs to contact the Inland Revenue, quoting the Contractor CIS reference. If the monthly returns have been filed by a contractor there will be a record of the CIS deductions made.

The Inland Revenue are very aware of the potential abuse of the CIS system, and they will be very careful to issue CIS registration or certificates to genuine sub contractors only. Where there is doubt over the status and the Inland Revenue consider the sub contractor to be employed, they will not issue a registration or certificate. Proof that a genuine sub contract exists maybe required.

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

Some subcontractors may still carry their cards as this is a good form of identification and information, but they will no longer be proof of self employed status. That can only be obtained by verifying the status through:

CIS Helpline 0845 366 7899
Online www.hmrc.gov.uk/new-cis
Third Party software within payroll systems