

## Building & Trades

### Casual Wages and Cash in Hand

The building trade has been notorious for casual labour and cash in hand, and the main reason for the introduction of the CIS system was to prevent cash payments and tax evasion.

When a contractor employs a sub contractor they must be registered for either standard deduction or gross payment before employment can commence.

If an employee is taken on by a contractor who also operates a PAYE system and works for 1 week or less, they can be classified as a casual employee.

If they are paid at a rate that exceeds the PAYE or NIC thresholds (£136 in 2011-12) deductions must be made and a P11 will need to be completed.

A P46 is not required to be completed if the employee works for the employer for less than a week.

If the pay is liable to PAYE or NIC, and the employer knows that the employee has other employment, tax should be deducted at the basic rate (Code BR). Otherwise the emergency code 747L (2011-12) on a week1/month1 basis should be applied. A P45 should then be issued when the employee leaves as normal.

If the pay is greater than £102 per week, but less than £136 per week, the form P11 should be completed as a NIL return and submitted at the end of the tax year.

If the pay does not exceed £102 per week, a note of the employees name and address must be taken, but a P11 is not required. The P38 (A) form, which is supplementary to the P35, should be returned with that instead.

If the employee works for longer than 1 week all the standard forms should be completed and filed as normal.

Where ever possible cash wages should be avoided. Where the use of cash is unavoidable, the employee should be asked to sign a receipt for the cash. This may at first appear excessive, but it gives the employer proof of payment for a cash transaction to put through the books.

All figures above are based on 2011-12