

Building and Trades The New CIS System (New CIS) ARCHIVE

The New CIS system is now launched.

<http://www.hmrc.gov.uk/new-cis/cis340.pdf>

The system requires contractors to make a monthly paper or online return, doing away with CIS vouchers.

Any existing contractors will be automatically registered to the New CIS system, and any subcontractors that have been used by the contractor in the last 2 years (since April 2005) will be included on the monthly returns. By the end of November 2006 all contractors should have received a summary of all the subcontractors that are registered automatically under the new scheme. If they did not receive this list they should contact their tax office. A second list was also issued in March/April 2007 with any updates added. Contractors using more than 125 subcontractors will receive a disc copy.

New Contractors must register through the helpline, and if it is a company, only directors can apply.

The new system is primarily online, and contractors are encouraged to use the online facilities. Monthly paper returns will also be allowed, but are only recommended for Contractors with less than 50 subcontractors, as the forms will become too large to use.

All CIS 4, 5, and 6 cards became invalid on 5th April 2007. All old, unused vouchers must either be shredded or returned to Liverpool using the freepost address provided

CIS Processing Centre
FREEPOST
Liverpool
L69 9HL

The final CIS return will be made for the period ended 5th April 2007, and is due 19th May 2007.

CIS 5 and 6 cards will not need to register again for the new system.

There are 2 rates of deduction under the new scheme known as the lower rate (confirmed at 20%) and the higher rate (confirmed at 30%) If a subcontractor is not registered then the contractor will be told to deduct tax at the higher rate.

Deductions are still made in the same way on the labour element only (net of VAT).

New subcontractors must be verified online via the Government website www.hmrc.gov.uk/new-cis (the New CIS icon is at the top if the Online green box) or via the New CIS helpline 0845 366 7899 option 1.

Any changes to status will be notified by email, and by letter, to both the contractor and the subcontractor (this includes changes to the tax levied, and the CIS status).

Agents and contractors can use existing Government Online IDs and passwords. If the Agent is registered for PAYE they will automatically be registered for New CIS.

There are no rule changes on subcontractor status but there is now an obligation on all contractors to check and confirm that subcontractors are not under a contract of employment, and that contracts are in place. A declaration stating this will be part of the monthly return.

The contractor is therefore under an obligation to review the status of all sub contractors on a regular basis, even if no changes are made.

To help with assessing status the Government has set up the Employment Status Indicator (ESI) currently the best direct link to the ESI is

<http://www.hmrc.gov.uk/calcs/esi.htm>

and select ESI application

Applications can be made as the contractor, or anonymously. When the sessions start the user will be given a session ID, which must be noted as this can be used to resume partially completed ESI application where data is hard to find or needs clarification.

The ESI is designed to answer 95% of all queries, and reviewers of the system currently feel that where there is doubt an “employed” status is given. Where the contractor is not satisfied with the answer received they can always contact an Employment Status Officer at the local Tax Office for a review.

Under the new scheme all existing sub contractors will have already been allocated to the contractor, and only NEW sub contractors need to be registered.

Sub contractors should have all received a letter in January 2007 detailing their status and the key data they are required to give to all new contractors

they work for. This is the same information that was previously on CIS cards, and many sub contractors will probably still hold onto the old cards as an aide memoir.

In theory the new online/helpline CIS verification system only requires a name, but if only a name is entered into the system, it is likely that extra checks will have to be done, and that the contractor will be given a temporary verification number and tax will be deducted at the higher rate.

The verification number will be the same for all sub contractor verified at the same time, and any temporary numbers will be affix with the letters A, B, C etc.

When the verification has been done online the subcontractor will be added to the next return that is required.

Once a contractor is registered online, all details will be done online, and they cannot revert to a manual paper system.

The manual return will have blank pages to allow for extra subcontractors to be added each month. The manual return is computer scanned, and if it cannot be read, it may well be returned, resulting in a possible late filing penalty.

Where a subcontractor was previously paid gross, and issued a gross voucher, these will also be replaced and the contractor will complete the monthly return with the gross figure and a NIL tax payment.

For subcontractors who have a deduction made at either the standard rate or the higher rate, the contractor is obliged to provide a statement of deduction. The verification number must be added to the statement where the deductions are made at the higher rate. If the subcontractor is paid gross no statement is required.

The CIS system will hold a history for that year of each sub contractor, and the system will also hold each year for record keeping.

Sub contractors will be alphabetically listed on the returns.

If a contractor is going to be inactive for a period up to 6 months, an inactivity request can be made on line. At any time, if activity starts up again, the online returns can be reactivated within that 6 month period.

After each monthly return a submission receipt will be sent, and an email will be sent from the tax office confirming receipt.

Fines and penalties have already been set out as

Not filed by 19 th of each month	£100 – automatic
Second month by 19 th of month	£100
False Declaration	max £3500

The Tax Office recognises that there will be issues in the first 6 months of the New CIS system, and there will be no penalties in the first 6 months.

When each sub contractor is paid, they currently receive a voucher of proof of payment. The contractor will be required to issue a statement of payment, much like an invoice. [Payroll Manager](#) can produce CIS slips as a standard feature of its payroll and is one of the approved payroll software for filing monthly returns.

Even if the return is a NIL return, it must be file as NIL.

There are currently no plans to issue any monthly reminders for the NEW CIS system if the contractor registers to make returns online.

If mistakes are made on the return the only way of correcting it will be to ring the CIS Helpline 0845 366 7899. They will ask the contractor to keep a record of the amendments made, and a record of the date the call was made. No paperwork will be issued to confirm any amendments made.