

Inland Revenue CIS4 (P) and (T) Contractors – Pre 2007

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

The contractor is the individual, partnership or company employing, and as such has a number of requirements placed upon them. Details of who is a contractor are on page 6 of the booklet. Private householders are NOT contractors if they are having work done on their own premises.

The scheme is currently being revised, but the system currently in place is covered by Booklet [IR 14/15 \(CIS\)](#)

These can be ordered from the orders Hotline (0845 7 646 646) or copies can be downloaded from

<http://www.hmrc.gov.uk>

The scheme DOES NOT apply to construction work carried on outside the UK.

To apply to be a Contractor there is a helpline 0845 733 5588

The contractor is not required to ring, the agent can arrange this.

A "Welcome Pack" is sent, containing the booklet detailed above, and also examples of CIS vouchers and returns.

Once registered a Contractor is given a number, and pre printed vouchers are issued. NB If the vouchers are not received within 3 weeks, it is advisable to contact the tax office that is assigned to the contractor, as the current system requires a manual transfer of information which may not have happened.

When a contractor hires a sub contractor they are legally required to check the CIS4 registration, confirm the identity of the holder, and decide if that person is employed or self employed.

Contractors may also be presented with a CIS6 registration card. In these cases no tax is deducted and a specific voucher must be completed. A subcontractor that holds a CIS6 is issued with the Gross Payment Vouchers (CIS24) and they should complete this and return the top and third copy to the contractor showing payments in that month, or a voucher for each payment. For more details see [Inland Revenue CIS6 sub contractors](#).

Two types of card can be issued:

CIS4 (P) a permanent registration card with no expiry date – the contractor is obliged to check when first using the sub contractor, but does not need to do so again.

CIS4 (T) a temporary card which shows an expiry date, this date **MUST** be noted on the records and then no payment can be made to the sub contractor unless they show a valid card.

There are 2 forms of voucher issued to a contractor

CIS25 for recording payment to subcontractors with a Registration card (CIS4)

CIS23 for recording payment to CIS5 and CIS5(partner) Construction Tax Certificate Holders

A voucher is prepared for each tax month (Pd ended 5th of each month) and the sub contractor must be given their copy and the contractor keeps the bottom duplicate for reference when filing the CIS36 Return.

Filling in the Vouchers

There are detailed leaflets in the registration packs,

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, either evidence of this purchase is needed or the contractor needs to be satisfied that the actual costs match estimates.

The voucher must always be made out to the sub contractor, even if payment is going to another person, like a debt factor.

The contractor is required to keep a note of the following:

- The name of the registration card holder
- The number of the card
- The date the card expires (where applicable)
- The National Insurance number if the card is CIS4(P)
- The gross amount of payment excluding VAT
- The cost of raw materials excluding VAT (if registered)
- The amount of deduction

The Inland Revenue will expect to see evidence that card details have been checked and filed.

The vouchers generated on a monthly basis are then issued as follows

- The top copy of all CIS23 and CIS25 vouchers issued and all CIS24 vouchers received are posted to
 - Construction Industry Scheme Processing Centre
Freepost
Liverpool
L69 9HL
- Deduction payments are made monthly, as with PAYE, and payment for a period ended 5th of a month are due 14 days later on the 19th of the same month. Deductions are currently made at 18%
- Where deductions are less than £1500 for average monthly payments quarterly returns can be made by agreement on 5th July, Oct, Jan and April, and payment is due within 14 days of the end of each quarter. **NB** when payments are made quarterly, vouchers still need to be filed monthly.

An annual return CIS36 has to be filed by 19th May each year, and details all subcontractor payments for the year to 5th April. For CIS (P) and (T) cards the following details are required

- The name of the subcontractor
- The registration card number
- The total amounts of **payments** made under deduction
- The total amount if any of the payment that represented direct cost of materials
- The total amount of deduction from the payments

Vouchers can be sent electronically, and details can be found in the IR booklet or in the website.

Many quality payroll systems will also have a CIS section where the program will prompt for key details and print off CIS voucher details and summaries.

The end of year filing is still a paper based system.

[Payroll Manager](#) has this facility, and is able to print onto the pre printed vouchers, saving time, and improving accuracy for monthly and yearly returns. The system also has a number of fail safe checks to ensure registration cards are in order. The system can also incorporate payments made to subcontractors into the monthly or quarterly summaries for use when completing in the Yellow Slip Payment book.

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

HelpAccountants will be issuing new documents on the revised system as soon as the government confirms details.

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