

A new Construction Industry Scheme (CIS) from 6 April 2007

No cards, certificates or vouchers under new CIS

Under new CIS, from 6 April 2007, **you no longer use**

- registration cards - CIS4(P) and CIS4(T)
- tax certificates - CIS5, CIS5(Partner) and CIS6
- vouchers - CIS23, CIS24 and CIS25.

Subcontractors need to register for new CIS with HMRC

Subcontractors **new** to CIS need to register with us. They can apply to be paid gross by the contractors they work for (like those who had tax certificates under the old scheme) or they can register to be paid under deduction (like those who had registration cards under the old scheme).

To qualify to be paid gross, subcontractors must pass the Business, Turnover and Compliance Tests.

Subcontractors should see factsheets CIS342, *Registering for new CIS - advice for subcontractors* for more information on registering and CIS343, *Applying to be paid gross - advice for subcontractors* for information on applying to be paid gross.

Contractors must check or 'verify' subcontractors with HMRC

Subcontractors give contractors their name, unique taxpayer reference and National Insurance number (if known) when they enter into a contract. We will give subcontractors this information when they register.

Where subcontractors are not limited companies, contractors must be satisfied that any contracts they have with them are contracts of self-employment. Factsheet CIS349, *Are your workers employed or self-employed? - advice for contractors* tells you more about this.

Then contractors contact us to check subcontractors' payment status (gross payment or payment under deduction). This is called 'verifying'. Exceptions to this rule are described in factsheet CIS345, *Verifying a subcontractor - advice for contractors* and in our detailed booklet CIS340, *Guide to the Construction Industry Scheme*.

If the subcontractor is registered with us, the contractor will be told to pay the subcontractor gross or to apply the standard rate of deduction to all payments made to the subcontractor.

If the subcontractor is not registered with us, or has not given accurate details to the contractor and they cannot be matched, a deduction at the higher rate must be made from the subcontractor's payments. (The subcontractor must make sure the contractor gets the correct details.)

Contractors should read factsheet CIS345 for more information on verifying subcontractors.

Subcontractors should read factsheet CIS344, *Getting paid by a contractor - advice for subcontractors* for more information about how contractors will verify you with HM Revenue & Customs.

Welsh language

Yr Iaith Gymraeg/Welsh language.
Ffoniwch **0845 30 21 489** i dderbyn
fersiynau Cymraeg o ffurflenni a
chanllawiau.

Large print

This factsheet is available in large print. If you would like a copy please contact your HM Revenue & Customs office.

Verification number

We will give contractors a 'verification' number for the subcontractors that can be matched with our computer system. This number will be the same for each subcontractor verified at any one time and is for the contractor's reference only.

But if the subcontractor cannot be matched, perhaps because they are not registered with us, the contractor will be given a special verification number unique to each 'unmatched' subcontractor. These numbers are important and the contractor must record them on the subcontractor's payment statement(s) - see below.

Paying subcontractors and making deductions

Contractors must pay subcontractors in the way we have told them to. That is, gross payment to any subcontractors who have agreed this with us and payment under deduction at the standard rate for any other registered subcontractors. Subcontractors that were not 'matched' during the verification process must have deductions made from their payments at the higher rate.

Subcontractor's payment statement

Contractors must give a statement to each subcontractor from whom they have made a deduction, whether at the standard rate or the higher rate.

The contractor can either issue a statement to cover all payments in a tax month or, if preferred, issue a statement with each payment if this is more frequent. Statements must be issued within 14 days of the end of the tax month in which payment was made.

If we gave an 'unmatched' verification reference number during the verification process, contractors must enter this on the statement. 'Unmatched' subcontractors will need these verification reference numbers to get refunds later.

Statements can be in any style the contractor chooses but they must contain certain information and be in writing, including by fax. The statement can also be issued electronically, where both parties agree to this method.

Statements do not have to be issued to subcontractors who are paid gross.

Contractor's monthly return

Contractors must make a return to us every tax month showing the payments made to all subcontractors, whether paid gross or under deduction. It must show the subcontractors' names, reference numbers, the payments made to them and any deductions made, as appropriate.

We will send contractors the monthly return in plenty of time, with subcontractors' names and reference numbers already on it (if we know them).

Contractors must send back these returns to reach us within 14 days of the end of the tax month to which they relate.

Nil returns must be made if no subcontractors have been paid in the month.

There will be penalties if we receive returns late and, if the contractor has gross status as a subcontractor, this status may be at risk.

Monthly returns can also be sent electronically or over the Internet.

There are no annual returns under new CIS.

Getting advice

You can get more detailed advice from

- our booklet CIS340, *Guide to the Construction Industry Scheme*, and
- our other CIS factsheets.

The booklet, factsheets and other information about new CIS are available

- online at www.hmrc.gov.uk/new-cis and
- from the CIS Helpline on **0845 366 7899**.

Our minicom number is **0845 366 7894**.

For advice on Self Assessment, call our Self Assessment Helpline on **0845 90 00 444**.

To register as a contractor, please call our New Employer Helpline on **0845 60 70 143**.

Our Business Support Teams provide help about new CIS over the phone, and give presentations locally. To find out more, visit www.hmrc.gov.uk/bst

These notes are for guidance only and reflect the position at the time of writing. They do not affect any right of appeal.