



FACTSHEET 7

The Construction Industry Scheme : An Introduction

What is CIS ?

Businesses operating in the construction industry are known as contractors and subcontractors . They could be limited companies , partnerships or self employed individuals .

Contractors pay subcontractors for construction operations and subcontractors are those businesses that carry out building work for contractors .

Before they can get paid under the Scheme , subcontractors must hold either a Registration Card or a Subcontractors Tax Certificate . To get a Subcontractors Tax Certificate or Registration Card a subcontractor must first be registered with the Inland Revenue . Those subcontractors who meet certain qualifying conditions will be issued by the Inland Revenue with Subcontractor Tax Certificates . Those who do not meet the conditions will be issued with Registration Cards .

Where a subcontractor holds a Registration Card , the contractor must make a deduction from all payments for labour of an amount on account of the subcontractors tax and national insurance liability (currently this deduction is made at 18 per cent) . Where the subcontractor holds a Subcontractors Tax Certificate , the contractor can pay that business gross , that is with no tax deducted .

Who is Affected ?

Most 'contractors' and 'subcontractors' in the construction industry are affected , but these terms go much wider than their normal meanings .

Who is not Affected ?

Private householders and non-construction related businesses spending less than £1 million a year on construction work are not contractors and are not covered by the Scheme .

For further advice and before taking any action please give me a call .

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