



# Subcontractors

## Construction Industry Scheme

The Construction Industry Scheme (CIS) sets out the rules for how payments to subcontractors for construction work must be handled by contractors in the construction industry.

The rules apply to both Self Employed and Limited Company Subcontractors.

CIS covers construction operations carried out in the UK. The rules of the scheme define the types of work that are classed construction operations. But as a general rule, the scheme includes almost any work that's done to a:

- permanent building
- temporary structure
- civil engineering work or installation

Some examples of the types of construction work that are covered by the scheme include jobs like:

- site preparation
- general construction - bricklaying, roofing, plastering and so on
- alterations and extensions
- repairs and refurbishment
- decorating
- dismantling work
- demolition

Under the scheme payments are made Gross (in full) or Net (less 20% tax deduction). If you haven't registered for CIS or the contractor couldn't verify you, they'll have to make deductions at the higher rate of 30%.



## What turnover do you need to be paid Gross?

HMRC will look at your business turnover from construction work for the 12 months before you apply for gross payment status. Ignoring VAT and the cost of materials, your construction turnover must be at least:

- £30,000 if you're a sole-trader
- £30,000 for each partner in a partnership, or at least £200,000 for the whole partnership
- £30,000 for each director of a company, or at least £200,000 for the whole company

If five people or fewer control your company, it must have an annual construction turnover of at least £30,000 for each of these individuals.

## Deduction Statements

If you are self-employed and paid net of deduction make sure you have a complete set of Payment Deduction Statements

<http://www.hmrc.gov.uk/forms/cis-payment-deduction-statement.pdf>

these statements show how much tax has been deducted and you will be able to use these statements to reclaim that tax on your self-assessment return, often the CIS deductions will mean that too much tax has been paid

**Apply for Gross Status as soon as you can as this will improve your cash flow**

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