



New Construction Industry Scheme

From April 2007 the current CIS scheme is due to be replaced by a new CIS scheme. The new scheme is intended to remove some of the administration burden of the current scheme.

The main changes to the scheme are:

- There will no longer be any need for CIS cards, vouchers or certificates;
- Contractors must check or verify new subcontractors direct with H M Revenue & Customs, either on line at hmrc.gov.uk/new-cis or by telephoning 0845 366 7899;
- Subcontractors will be paid either net or gross depending on their circumstances. H M Revenue & Customs will advise the contractor which treatment to use during the verification process;
- There will be a higher rate tax deduction of 30% if a subcontractor cannot be matched on the H M Revenue & Customs system. This rate will apply until the subcontractor contacts H M Revenue & Customs to rectify the problem;
- CIS annual returns will no longer be required;
- Monthly returns will have to be made to H M Revenue & Customs showing payments made to each subcontractor & confirming none of the workers listed on the form are employees. This is called a status declaration;
- Nil returns must be made for each month where no payments have been made to subcontractors;
- New subcontractors & subcontractors holding temporary registration cards that expire before the new CIS scheme commences will be required to register with H M Revenue & Customs.

How will the new scheme operate?

The vast majority of subcontractors registered under the existing CIS rules will be automatically transferred to the new scheme & will not have to re-register. H M Revenue & Customs will send a list of your existing subcontractors who will not have to be verified in Autumn 2006 & Spring 2007. These lists must be retained as evidence of verification & will not be re-issued.

New subcontractors must be verified & when a contractor contacts H M Revenue & Customs they will require the contractors:

- Name;
- Unique Tax Reference (UTR). This is the ten digit number in the top left hand corner of your tax return.

Remember, these details are for information only. For advice on individual cases contact us to arrange a free, informal and no obligation initial meeting.



Details required relating to the subcontractor will depend on whether they are a sole trader, partnership or limited company & will be as follows:

<u>Trading Status</u>	<u>Information Required</u>
Sole trader	National Insurance Number
Partnership	Partners name, UTR & National Insurance Number
Limited company	Company registration number

The results of the verification process can be as follows:

- **Gross** – the subcontractor can be paid without making any deductions;
- **Net** – the subcontractor can be paid after making the standard deduction, which will increase to 20%;
- **Unmatched** – this means the subcontractor cannot be found on H M Revenue & Customs system & will need to be paid after making higher rate deductions. This will be the case until the subcontractor has registered with H M Revenue & Customs.

Following verification H M Revenue & Customs will provide the contractor with a verification number, which must be retained as evidence of verification.

Timetable for change

H M Revenue & Customs have provided a timetable for change to the new CIS scheme which is as follows:

- November 2006 - contractors will be sent details of existing subcontractors who do not have to be verified;
- January 2007 - media advertising campaign will commence to make contractors & subcontractors aware of the new CIS scheme;
- March 2007 - second mailing to contractors with updated details of subcontractors who do not have to be verified

Subcontractors mailed with confirmation of their details held on H M Revenue & Customs files;

- April 2007 – the new scheme “goes live”, verification begins, first monthly returns for April due to be filed by 19 May 2007.

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