

Guide to the Construction Industry Scheme (CIS)

What is the CIS Scheme?

The CIS scheme, originally replaced the old '714' system and was extensively revised in April 2007, this sets out the rules for how payments to self-employed contractors working in the construction industry are made.

The scheme defines 'construction' as a term with a broad meaning that includes:

- Building things
- Making things
- Putting things together
- Assembling things

What types of jobs does the CIS Scheme cover?

CIS covers construction operations carried out in the UK. The rules of the scheme define the types of work that are classed construction operations.

As a general rule, the scheme includes almost any work that is 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

Becoming self-employed with the Construction Industry Scheme (CIS)

Registering as self-employed

If you are not already registered as self-employed, you will need to register with HMRC first. You can register online at www.hmrc.gov.uk, or call the Self-employed Helpline on 0845 915 4515. To register you must have a National Insurance number, the date your self-employment started, the nature of your business and a business address. You will be given a Unique Tax Number (UTR).

Registering with the Construction Industry Scheme (CIS)

Once you are registered as self-employed you will then need to register with the Construction Industry Scheme (CIS). The CIS scheme governs how payments to contractors in the construction industry are made. To register call HMRC CIS Helpline on 0845 366 7899. You will need to tell HMRC the name of the business and the UTR number for the business.

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CIS tax deductions

Tax deductions are determined by HMRC (not Sterling CIS) and can be set at 0%, 20% or 30% deduction. If you fail to register with HMRC CIS scheme, deductions will be made from your payments at a higher rate of 30%.

Getting started with Sterling CIS

To get you set up with Sterling CIS we first need to get you registered

Step 1: Register with us

- Complete a Sterling CIS registration form
- Read and sign your Contract for Services
- Provide eligibility to work/ proof of identity
- Complete a Self-employed Assessment (SEA)

Step 2: Keep remittance advice slips

For each payment received through Sterling CIS, we will send you a remittance advice showing details of invoiced amounts and CIS payments made to HMRC. Please keep these remittance advice slips to help fill in your tax return.

Step 3: Arrange a Tax Return

At the end of the financial year, you'll need to complete a tax return. You can do this yourself or through an accountant.

HMRC will work out your tax and NICs bill and offset any deductions you've had made against it. Any business related expenses you have incurred during the financial year will be offset against any tax due. This will show whether you're due a refund or you need to make further payments.

Be warned HMRC do impose fines for late tax returns – so ensure your tax returns are completed on time! Our recommended supplier AGP Chartered Accountants offer reduced rate self-assessments tax returns and expense verification to Sterling CIS sub-contractors.

The information used in this Guide is derived from HMRC website.

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