ANNEX 3

CONSTRUCTION INDUSTRY SCHEME

Construction Industry Scheme (CIS)

Under this agreement the Authority will be deemed a Contractor under the Construction Industry Scheme rules. Sections FA04 /s59(1)(b) - (l) define those persons or bodies 'deemed' to be contractors within CIS and include the following

- businesses which do not include construction operations but which spend above a certain amount on construction operations.
- public bodies and other specified bodies which spend above a certain amount on construction operations.

The Scheme: contractors: government departments

All public offices or departments of the Crown (including any Northern Ireland department and any part of the Scottish Administration) are required to operate CIS as contractors where they spend over a certain amount on construction work (see CISR12050). The amount these businesses must spend on construction operations, to be considered deemed contractors, is set out at FA04/s59 (1)(l). This is an average, annual, expenditure of £1 million or more for a period of three years ending at the end date of the latest period of account.

Most government departments will be involved. This is provided for at FA04/s59 (1)(b) and covers both main government departments and their agencies.

The Scheme: contractors: verifying subcontractors

SI2005/2045 reg 6, requires a contractor to verify with HMRC whether a subcontractor to whom the contractor is proposing to make a payment for construction operations is registered with HMRC for payment under deduction or for gross payment. From 6 April 2017 it will become mandatory to undertake all verifcations online.

CIS define 'Construction Work' as any of the below listed items:

- a permanent or temporary building or structure
- civil engineering work like roads and bridges
- preparing the site, e.g. laying foundations and providing access works
- demolition and dismantling
- building work
- alterations, repairs and decorating
- installing systems for heating, lighting, power, water and ventilation
- cleaning the inside of buildings after construction work

The aim of the scheme is to prevent the evasion of tax by sub-contractors that are not known to HMRC. As a contractor we may have to withhold an amount from sub-contractor payments. Those subcontractors who do not meet the conditions to be paid gross are still expected to make themselves known to HMRC and register to be paid under deduction. Those subcontractors are referred to as ‘Net Payment subcontractors’ or ‘subcontractors paid under deduction’.

There are two main requirements that the Authority must legally comply with under CIS. The first is to assess what amounts should be paid over to any sub-contractor for any invoices they submit for payment, secondly a monthly return to HMRC detailing all payments made that fall under the scheme. It’s the first element that that the Supplier will be required to complete.