

CIS - some recent changes

The Construction Industry Scheme (CIS) (which requires contractors to deduct tax from payments to sub-contractors who are not registered in such a way that allows them to be paid without deduction) continues to undergo changes. By and large the changes seek to ease the administrative burden of the scheme, extend the possibility of gross payment status to more companies and partnerships and continue the move to require all taxpayers to file returns and provide information using HMRC online facilities.

All contractors and sub-contractors need to understand how those changes affect them.

Gross payment status: partnerships

From 6 April 2016 when a partnership applies for gross payment status, the 'compliance test' (that is the test that, broadly, looks at whether the partners have paid the relevant tax/PAYE and submitted all CIS and relevant self-assessment returns correctly) can be ignored if:

- (a) A person or persons has or have between them a right to share at least 50% of either the partnership income or partnership assets; and
- (b) That person or those persons are each registered for gross payment.

Gross payment status: companies

Similarly when a company applies for gross payment status the compliance test is to be ignored if:

- (a) One or more shareholders are entitled (whether presently or in the future) to possess at least 50% of the nominal value of the issued ordinary share capital of the company, or at least 50% of the voting rights in the company, or to 50% of the assets on a winding up, or at least 50% of the profits available for distribution; and
- (b) That shareholder or shareholders is or are registered for gross payment status.

Narrowing the compliance test

From 6 April 2016 the compliance test that must be satisfied as part of the application process for gross payment status has been narrowed. Previously it was very wide, in theory allowing HMRC to refuse registration if it could be shown that the applicant had not complied with any obligation owed under the income and corporation tax legislation. Now, however, the compliance test will look only at whether the individual applicant or company or, in the case of a partnership, its partners, have:

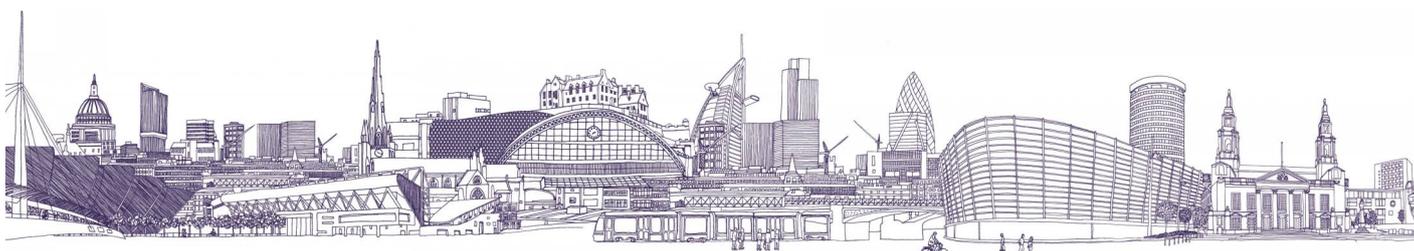
1. Paid to HMRC all contractor deductions under the CIS; and
2. Paid all PAYE and submitted all returns relevant to each; and
3. Made all income tax and corporation tax self-assessment returns.

Access to gross payment status

From 6 April 2016 access to gross payment status has been extended for partnerships and companies because the turnover threshold for relevant construction payments in the previous 12 months has been reduced by 50% to £100,000. The threshold for individual sub-contractors remains at £30,000.

Submitting monthly returns

From 6 April 2016 a contractor must submit its monthly returns of payments to sub-contractors online, via the internet services or the Electronic Data Interchange services provided in either case through the Construction Industry Scheme Online for Contractors (<https://www.gov.uk/use-construction-industry-scheme-online>) or PAYE Online for Agents (<https://www.gov.uk/payee-online>). The online filing obligations are subject to limited exceptions, based on religious belief or where online returns are not reasonably practicable provided HMRC has specifically authorised the submission of returns by alternative means.



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And a further change is on its way: as from 6 April 2017 a contractor must use these online facilities to provide the information required to verify whether a sub-contractor or a nominee of a sub-contractor is registered for gross payment.

If you would like to discuss any of the issues raised in this update, please contact:



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