

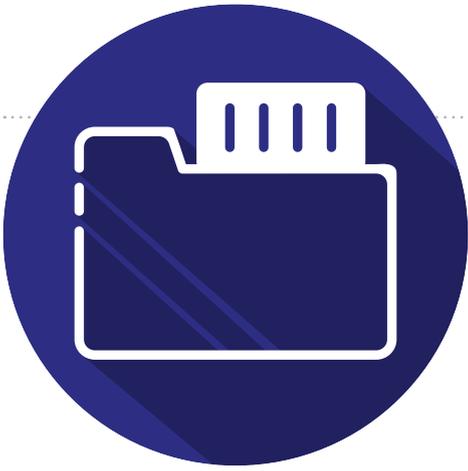
 **ceda** [®] **Guides**



HMRC CIS Scheme

ceda Guide 059

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HMRC CIS Scheme

Introduction

There has recently been some discussion amongst members regarding the Construction Industry Scheme which requires contractors to deduct money from a subcontractor's payments and pass it to HM Revenue and Customs (HMRC).

There appears to be some confusion about when the scheme applies so ceda have been in contact with HMRC and requested a definitive statement that relates to our industry.

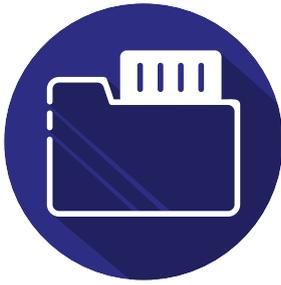
Clarification

The Construction Industry Scheme applies to most construction projects, including refurbishments, where payments are made by contractors to subcontractors. It does not apply to projects where you are paid directly by the client as opposed to a contractor.

The following letter clarifies that that the supply only of equipment in isolation (i.e. where installation is not the responsibility of the ceda member) the payment for the equipment from the contractor to the member falls outside the scope, however, as soon as the member is involved in installation as part of their contract to supply and install, the whole payment falls within CIS.

If a supply of equipment is one contract and installation is another separate contract then the contract for the installation falls within CIS.

If you pay a subcontractor to carry out the installation work on your behalf, your company becomes a contractor and must make the appropriate deductions from your payment to the installation subcontractor.



HMRC CIS Scheme continued

Deductions

Deductions from payments by contractors to subcontractors are at the rate of 30% for subcontractors who are not registered with CIS or 20% for subcontractors who are registered. Deductions can be off set by subcontractors against the following:

- o PAYE tax due from the company's employees
- o Employers' and employees' National Insurance contributions due
- o Student Loan repayments due from the company's employees
- o CIS deductions made from the company's subcontractors

It is possible for companies to register with CIS to receive gross amount payments, however, to get this concession, your company needs to pass a compliance test which, amongst other things, takes into account your turnover and your record of making tax returns and paying tax on time.

Registering with CIS

You can find out how to register your company with CIS including the gross payment option by following the following link. <https://www.gov.uk/government/publications/construction-industry-scheme-company-registration-cis305>

**HM Revenue
& Customs****PT Operations North East England
HM Revenue and Customs
BX9 1BX**

CEDA

[REDACTED]
INKBERROW
WORCESTER
WR7 4EJ999H9K1QA00136
0171181345**Phone** 0300 2003210
Mon - Friday 8am - 6pm**Web** www.gov.uk**Date** 16 January 2024
Our Ref 7388129426

Dear Sir or Madam

Thank you for your letter dated 23 November 2023.

Your query related to members of ceda who specialise in the design, supply, and installation of commercial kitchens.

You state that installation involves unpacking, and where necessary, assembly of equipment before being placed/fixed in its final position and then making connections to building services.

Members are often sub-contractors to a main contractor and in other cases are directly employed by the client. Sometimes members only supply the equipment and use sub-contractors to carry out the installation.

My rulings relating to CIS scope are as follows:

Kitchen fitting/installation is a 'finishing operation' and falls within the scope of CIS. Please note, private householders are not counted as contractors so any payment made by them falls outside the scope of CIS.

The supply of equipment, in isolation, falls outside of CIS.

Where there is a mixed contract, where the sub-contractor supplies the equipment and also installs the kitchen, the whole payment will fall inside CIS.

If your member only supplies the equipment, the payment made to them by the contractor will fall outside of CIS. If your member then hires a sub-contractor to install the kitchen, the payment made by your member will fall inside CIS. Your member is a sub-contractor and contractor in this scenario. There are 2 separate contracts.

If your member (sub-contractor) is paid by a private householder, then this is outside CIS.

If you need extra support, for example if you have a disability, a mental health condition, or do not speak English/Welsh, go to www.gov.uk and search for 'get help from HMRC'.
Text Relay service prefix number – 18001

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But if your member then (becoming a contractor) pays a sub-contractor to assist with installation, then this falls inside CIS. The sub-contractor is being paid by your member and not directly by the householder.

My rulings are based on the information supplied in your letter and are subject to change if there are changes to the work being carried out.

If you disagree with my decisions, you have the right to challenge these. This must be put in writing.

Please mark any letter for the attention of the CIS Scope/Gross Payment Team.

If you contact us, we can deal with you more quickly if you quote our reference number and give us your contact details.

Yours faithfully

Neil Proud
CIS Technician

Join the millions of taxpayers already using their Personal Tax Account to access a range of services. It takes just a few minutes to get started, go to www.gov.uk/personal-tax-account Or you can use the HMRC app.

To find out about the service and standard of behaviour you can expect from us, go to www.gov.uk and search 'HMRC Charter'.