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The Construction Industry Scheme (CIS) is one of the strategies facilitated to cut tax avoidance in the construction world. The principal intention of the scheme would be to make sure that those workers engaged in the market segment settle the precise sum of tax and Class 4 National Insurance. CIS covers both the contractors and subcontractors engage mainstream construction occupation. It may also include non-construction business but has a high financing on constructions.

CIS categorizes construction workers as employee or self-employed mainly because a tax scheme differs between the two including claimable expenses and penalties in event contractors and subcontractors failed to abide by the rules.

HM Revenue and Customs (HMRC) define contractors as individuals having businesses that consist of subcontractors for construction operations, which is a "mainstream" contractors; and those who have an average investment of a minimum £1 million yearly for three-year period on construction operations, which is a "deemed" contractors.

There are specific obligations that contractors are directed to fulfill, which include:

- 1) Registration with HM Revenue and Customs (HMRC)
- 2) Checking with HMRC if subcontractors under them are registered
- 3) They must pay subcontractors
- 4) Tax deduction and submission of payroll statements to HMRC

Subcontractors, alternatively, are those who agree of engaging in construction functions for contractor and can be self-employed folks, solo traders and partnerships. They could be even companies who do the job for contractors and any labor agencies, whose role is to employ or provide workers to handle construction for contractors.

These subcontractors are obliged to complete the following in consonance with CIS:

- 1) Register with HMRC
- 2) Inform HMRC of any amendments to the business like business name and address, business partners and various pertinent facts.

Non-compliance to CIS can have a great impact on both the contractors as well as subcontractors. Contractor's failure to send monthly return on scheduled time frame or every 19th of the month shall be demanded a minimum penalty of £100. The penalty will definitely go more expensive generally if the penalty is still outstanding after two months, after six months and 12 months, respectively, and will acquire a corresponding amount charged. Unregistered subcontractors but having Unique Tax Reference (UTR) will present a bigger taxation deduction at 30% compared with 20% for registered with UTR.

According to the assessment conducted by the HMRC, CIS offers advantageous impact to small construction business specifically those who are not eligible for a CIS certificate resulting from the specifications of the turnover check. The review tells, "This will mean that SMEs (small and medium

enterprise) will be able to compete on a more level playing field with larger CIS certificate holding companies.â€•

CIS will stimulate competition among construction industry throughout the UK. The assessment states, â€œNewly established companies that canâ€™t initially qualify for certificates because of the requirements of the compliance test and/or turnover test will be among the beneficiaries.â€•

The challenge facing contractors and subcontractors refers to compliance with the system. Consequently, it is a must that they consult and seek experts to do the analysis to achieve compliance to make sure they could concentrate on their core activity with the construction industry. Or better yet, subcontractors ought to position themselves with the guidance of the professionals whether they ought to be covered by CIS or work like an employee. There are actually services which provide expertise in CIS compliance and construction industry payroll. They will take care of tax deductions and pay subcontractor on time.

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