



Construction Industry Scheme

What Is The Construction Industry Scheme (CIS)?

The Construction Industry Scheme (CIS) is a system implemented by HMRC in the UK to regulate payments from contractors to subcontractors in the construction industry.

The deductions count as advance payments towards the subcontractor's tax and National Insurance.

Who does CIS apply to?

CIS applies to contractors and subcontractors involved in construction work in the UK. Under the scheme:

- Contractors must register for the scheme. Subcontractors do not have to register, but deductions are taken from their payments at a higher rate if they're not registered
- Contractors must deduct money from subcontractors' payments (as an advance payment of the subcontractor's tax and National Insurance) and submit it to HMRC on a monthly basis

Am I A Contractor or Subcontractor?

Contractor: You pay subcontractors for construction work or spend more than £3 million on construction annually, even if construction isn't your primary business.

A Subcontractor: You are paid by a contractor for carrying out construction work.

For larger and more diverse companies, some businesses operate as both contractors and subcontractors. So it is important to understand which category you fall into.

What work does CIS cover?

CIS covers most construction work to buildings and structures along with civil engineering work.

Examples of work included in the scheme are:

- preparing the site - for example, laying foundations and providing access works
- demolition, dismantling & building work
- alterations, repairs and decorating
- installing systems for heating, lighting, power, water and ventilation

- cleaning the inside of buildings after construction work

How Do I Manage My CIS With HMRC?

As a Contractor

Before paying a subcontractor, verify their status with HMRC to determine the deduction rate. The below rates will apply:

- 20% for registered subcontractors.
- 30% for unregistered subcontractors.
- 0% if the subcontractor has gross payment status

Once you have verified and determined the correct rate for your subcontractors, you will make the necessary deductions from their invoices and pay these over to HMRC on their behalf. This system works in the same way as PAYE.

Your payment will also need to be accompanied by a monthly return, which provides HMRC with a breakdown of the deductions made and amounts to be paid.

Additionally, you will also be required to issue a deduction statement to subcontractors showing how much has been deducted.

As a Subcontractors

As a new subcontractor you should register for CIS. This will allow you to benefit from the lower deduction rate of 20% instead of 30%.

You can apply for gross payment status at 0% if you meet HMRC's [compliance requirements](#).

Depending on whether you operate as a sole trader or limited company will depend on how you can reclaim any overpaid deductions made by contractors.

As a sole trader

You will need to complete a self-assessment tax return declaring your income and deductions made by the contractor

As a Limited company

These amounts are reclaimed through your payroll and offset against any liabilities due. You can continue to carry these forward until you have claimed back the CIS Deductions.