

# FACTSHEET



## Now you are registered under the CIS scheme – Contractor Edition

**You have recently registered under the Construction Industry Scheme as a contractor – this factsheet will tell you about your obligations under the scheme and highlight the pitfalls you may face and how to avoid them.**

Here are the dos and don'ts for a registered contractor under the CIS scheme.

### Do:

1. I identify who are subcontractors – this is anyone who is doing “construction work” for you. There is a list of CIS work here: <https://www.gov.uk/what-is-the-construction-industry-scheme>
2. Verify all new subcontractors – every time you take on a subcontractor you need to verify them to make sure you are deducting the correct amount of CIS. You will need their Unique Tax Reference (UTR) to do this. This will either be 30% for non-registered subcontractors, 20% for registered subcontractors or 0% for Gross status subcontractors.
3. Deduct the correct amount of CIS as identified by the verification. You do this by paying the invoice less the % of CIS you need to apply.
4. Check the VAT rate is correct – if you are not the end user of the service, and the invoice includes labour, then the invoice should use the Domestic Reverse Charge (DRC) VAT rate and state on it that this has been used (this is 0% VAT).

If you are the end user of the service, (and not passing this onto your customers), then the DRC rate cannot be used, and the goods will be 20% vatable. This is because to use DRC the work has to be within the scope of CIS.

5. File your monthly CIS return on time (we recommend this is done via Xero) – this is due by the 19th each month for the previous month - there are fines each time the deadline is missed.
6. Make payments to HMRC of any CIS you have deducted by the 19th of the month.

### Don't:

1. Take a subcontractor's word for their status – they do not necessarily want you to deduct CIS but it is your responsibility to do so at the rate identified.
2. Assume the subcontractors have correctly applied the VAT, especially if their invoice uses the Domestic Reverse Charge.
3. Pay your subcontractors before you verify them, or you may over pay them.

### How we can help

We offer a CIS service that will ensure you remain compliant for a small monthly fee. Contact us for more information.

