

# How the CIS Scheme Works (Construction Industry Scheme)

## What is it?

CIS is a scheme where businesses in the construction industry deduct tax, before paying their subcontractors, and pay this over to HMRC.

These deductions are advanced payments against the subcontractor's tax and if it later turns out that they have overpaid they can claim a refund.

## How do I get started?

Contractors are those who will do the deducting and these must register for the scheme. Subcontractors do not have to register but if they do register, they can secure a deduction at a lower rate.

Contractors need to file monthly returns showing how much they have deducted and issue the subcontractor statements.



# The CIS Scheme

## Contractors vs Subcontractors

Contractors deduct tax and Subcontractors have it deducted from them.

## How do I get tax back deducted from me?

Sole Traders should complete and file a tax return to receive your refund.

Companies can offset this against your Corporation Tax or request a refund (if HMRC owe the company after PAYE liabilities have been taken into account.)

## Are all business in the Construction Industry required to do this?

No, there are some businesses that are excluded, for example Architects, Scaffold Hire, Carpet fitting etc.

## What rate of tax is deducted?

- 30% if you are not registered
- 20% if you are registered
- 0% if you have applied for, and been accepted for, Gross Status.

## How does CIS interact with VAT?

VAT and CIS are two separate taxes. However, there are now rules that mean if two CIS registered businesses trade with each other (and neither of them are the final customer) then no VAT is chargeable,