

CIS rules are just more paperwork for construction contractors

Talk to a contractor in the construction industry about the [Revenue's new Construction Industry Scheme](#) and all you'll get is a shrug of the shoulders.

CIS is Not the Right Approach

Most of them believe that this is only a means to create more paperwork, and that the increased funds the Revenue is expecting will never materialise.

Leigh Mount, who has worked as a contractor for 27 years in the Marine Civils and Offshore subsea Construction has been in the construction industry for 27 years. Mount admits that the previous measures for certifying contractor status weren't working. "But this isn't the right way to solve the problem," Mount says.

"Here's what will happen. A lot of the smaller contractors, some of whom don't boast a high level of education, will simply bury their heads in the sand. Then the Revenue will come knocking. And they will suffer. But is this going to bring a lot more money to the Exchequer? The 'guy with the white van' isn't likely to provide it," Mount insists. "But you will drive a fair number of good UK contractors out of the industry."

Meanwhile, as several observers point out, the scheme is an invitation to identity fraud and cash under the table deals will be on the rise. Under new CIS, there are three types of subcontractor; those registered for gross payment, those registered for payment under deduction (which is increasing to 20% rather than the current 18%), and those that are not registered, who are paid with a deduction rate of 30%. This alone complicates the administrative duties of the subcontractor who in a given period may be taxed at three different rates. This is two-fold because it must also increase the administration for HMRC.

“ Many smaller contractors will just bury their heads in the sand ”

Leigh Mount

Company Name is Key Issue

All contractors should have received a list from HMRC in November – and a further list in March – which lists all the subcontractors they have paid since April 2005. If the additional information provided still does not agree with HMRC's list, the subcontractor will need to contact HMRC to sort it out, otherwise you will need to carry out the verification process before you can make payment to them.

One of the key issues is likely to be company name – businesses often have a number of trading names, but HMRC will recognise only one, so you will need to know the official name of any subcontractor you use, rather than its trading name. So while this struggle takes place, a load of cash deals will take place, many of them with contractors from Eastern Europe, who will go back to their homes with a wad of fifties in their pockets. They will get the work, while UK contractors are busy filling out forms to justify their status as a limited company.

"The guys in this industry work long hours out on the sites, and then they are supposed to come home and fill out accounting forms? It's blatantly unfair," Mount points out.

Nor will this scheme make it easier for the UK construction industry to compete on tenders with companies from Continental Europe. These may hire whatever contractors they wish, while UK contractors will be busy verifying subcontractor status. Probably not a great step forward for UK plc.

“ The guys work long hours on the site and then have to come home and do paperwork ”

Leigh Mount

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