

PCG offers help to contractors under new CIS scheme

The London-based [Professional Contractors Group](#) (PCG) has launched [PCG Construction](#) in an effort to help contractors in the industry come to terms with the Construction Industry Scheme. This scheme, announced on April 6 by HM Revenue and Customs, is intended to scrutinise the status of contractors in the construction industry who must prove that they are not 'disguised employees.'

"These regulations will prove as difficult for the construction industry as the [managed service company](#) rules have proven for the contracting industry," says PCG director Julie Stewart.

A Wave of Panic and Desperation

One of PCG's members, Leigh Mount, who has worked in both the Marine Civils and offshore construction industry for 27 years, commented: "The new CIS legislation has the potential to send a wave of panic and desperation through the construction industry. However, I am confident that PCG and its new construction service will be there to support contractors in the face of the latest announcement and give sound financial advice and business support to construction workers and their families. Contractors simply want to get on with their jobs at the sharp end – more administration will only hinder that."

PCG Construction has been developed in collaboration with construction tax experts to help protect construction industry contractors and demystify the new CIS legislation for them as self-employed workers. The legislation will have a huge impact on the industry which boasts some one million workers made up of 800,000 self-employed subcontractors and 200,000 contractors.

Says Stewart: "Under the new legislation, the status of contractors will be under scrutiny as HMRC plans to raise additional taxation from the construction industry. Now, HMRC can challenge the tax status of contractors who they regard as 'disguised employees' of their clients, which could lead to contractors being liable for added tax and national insurance."

“ These rules will have as great an effect on the construction contractors as MSC rules have had on all contractors ”

Julie Stewart - PCG

30% Deduction at the Source

The new scheme involves the replacement of the CIS cards and the various CIS vouchers previously used for tax identification purposes in the construction industry. Instead, contractors will have to obtain and guarantee details of subcontractor status lest they become liable for any taxes due. Existing gross/net payment status will be transferred to the new scheme, and it will be divided into three types: sub-contractors who are paid gross; sub-contractors who are registered for payment under deduction at 20%, and those who are not registered to be either gross or net payees and from whom the contractor must deduct 30% tax at the source.

There will be no annual CIS return as previously, but a new status declaration will come into force. There are also a plethora of penalties to be applied for omissions, failures and delays.

As the PCG points out, the new CIS rules will present massive challenges for everyone in the construction industry and contractors will need to be well advised and on top of their game to meet their new legal obligations. Contractors will have to be very careful about how they administer the CIS scheme so that they do not fall into the many traps and financial penalties that await them.

"Once again, HMRC is targeting the small business person and if construction workers are not sure of all the facts, they could come unstuck," Stewart says. "The contracting sector of the UK workforce is the fastest growing sector as one in seven workers now choose to be self-employed so they are entitled to a voice as important contributors to UK plc. PCG has been supporting contractors for a number of years and I would like to reassure construction workers that they will be in safe hands with us as the new legislation comes into force. We already have evidence of self-employed workers being told that they cannot work unless under PAYE after April 6th if they cannot produce proof of CIS registration."

“ If construction workers are not sure of the facts they could come unstuck ”

Julie Stewart - PCG

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