

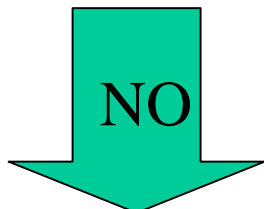
CIS FROM 6 APRIL 2007

- No CIS cards
- No CIS vouchers
- New monthly statements from contractors to their subcontractors
- 3 types of payment status (Gross, 20% net, 30% net (where subcontractor is not known to the Revenue))
- No annual return (CIS 36)
- Contractors must instead submit monthly returns
- A status declaration to be signed on each monthly return
- New compliance tests for gross payment status
- New conditions to qualify for gross payment status

**VERIFYING A
SUBCONTRACTOR**
- have you paid
them since 6 April
2005



If yes, no action as should have been verified on pre-populated list received from Revenue in Autumn 2006



If no, you need to verify the subcontractor by telephone, internet or third-party software

Subcontractor details -

<u>Sole trader</u>	<u>Partner in a firm</u>	<u>Company</u>
·Name,	·Partnership name, partner's name, partnership's UTR, partner's UTR and partner's NINO	· Company name, company UTR and company registration number

When verified the Revenue will confirm if the subcontractor is to be paid either gross or under deduction at 20% and you will receive a verification consisting of a V and 10 digits (I.e V0123456789)

If a subcontractor cannot be verified they are to have amounts deducted at the higher rate of 30%, the standard verification reference will have either one or two additional letters at the end of the reference (I.e V0123456789/A)

The verification reference will need to be shown on both the monthly return to the Revenue and the monthly statements given to the relevant subcontractor

Recording & Paying Your Subcontractors

When taking on a new subcontractor, the contractor should:

- consider whether or not they need to verify the subcontractor with the Revenue (see previous sheet)
- verify the subcontractor if necessary (see previous sheet)
- make payment to the subcontractor under either no deduction, under deduction @ 20% or under deduction at the higher rate of 30%
- calculate and made the deductions from the payment to the subcontractor as per verification
- record details of payment, materials and deduction in your bookkeeping
- make the payment to the subcontractor (either gross or net of 20% or 30%)
- complete either a statement of deduction for all payments made in that tax month or one statement for each payment (see final sheet)
- give the statement to the subcontractor and keep a copy for your records

Changes in payment status of subcontractors

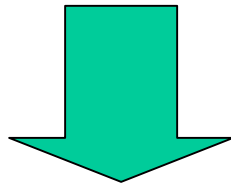
If the Revenue changes a subcontractors payment status from gross to a payment under deduction. The Revenue will give the contractor 30 days notice of the change. Payments to the subcontractor after this notified date must be made under deduction.

If the subcontractors payment status changes from a payment under deduction to a gross payment, the Revenue will inform all contractors who have verified the subcontractor in the current and last 2 tax years.

Monthly returns - CIS 300

Each month the Revenue will require a return from the contractor. Monthly returns must be submitted by the 19th. The return will need to be completed whether the contractor had:

- No subcontractor payments (I.e. nil return)
- Subcontractors who were paid gross
- Subcontractors who were paid with a deduction of 20%
- Subcontractors who were paid with a deduction of 30%



What to do?

- Check information already printed on return
- Add any new subcontractors not already shown
- Enter the verification number (if 30% net only)
- Enter all payments made to each subcontractor in the tax month together with details of any deductions made from these payments

When and where to make the return?

- No later than 14 days after the end of the tax month
- The return can be made:
 - A paper return sent by post
 - Online through Revenue website
 - Electronically, using third-party software

What if I haven't paid any subcontractors?

Even if you have not paid any subcontractors during a tax month, you must still make a "nil" return

Penalties

If a contractor fails to submit a monthly return on time, there is a £100 per month penalty, with further penalties of £100 for each additional 50 subcontractors or part thereof.

Statement of Deduction

Contractors **must** provide a written statement to every subcontractor from whom they have made a deduction, within 14 days of the end of each tax month. Although there is no obligation from the Revenue for the contractor to give a subcontractor where the payment has been made gross, it would be sensible to do one for these subcontractors also.

The statement should be issued on the basis of one for each tax month. The Revenue does advise that a statement can be issued for each payment if this is more frequent.

Below is an example of the type of statement the Revenue is requesting be prepared by the contractor.

ABC Contractors Limited	
Address 1	
Address 2	
Postcode	
Contractor's Employer's Reference:	
111/ZZ01234	
Statement of payment and deduction for month ending: 05 May 200X	
<i>Subcontractor Name</i>	<i>Mr A B Other</i>
<i>UTR</i>	<i>1234567890</i>
<i>Verification number</i>	
	£
Gross amount (exc. VAT)	4,250
Less materials	450
Amount liable to (20%)	<u>3,800</u>
Amount deducted	760
Amount payable	<u>3,040</u>

Monthly statements & higher rate deductions

Where the Revenue has told you, the contractor, to deduct the higher rate of tax 30% from your subcontractor. It is essential that you include the verification number you are given by the Revenue on each of the monthly statements for that subcontractor. Without each statement and the verification number the subcontractor in question will be unable to claim the amounts of tax he has been deducted during the year.