

## What is the Construction Industry Scheme (CIS)?

The Construction Industry Scheme (CIS) is a set of rules that apply to contractors and subcontractors who carry out construction work in the UK. The scheme is designed to ensure that HMRC receives the correct amount of tax from these businesses.

### How does CIS work?

Under the CIS, contractors must deduct money from payments they make to subcontractors and pay this money to HMRC to cover the subcontractor's taxes. They will also need to submit monthly CIS Returns to HMRC and verify each subcontractor's employment and CIS status.

### Who needs to register?

All contractors must register for CIS. It is not mandatory for subcontractors to register, however, most do because of a lower deduction from their pay.

Subcontractors who are registered for CIS get 20% deducted from their pay to be sent to HMRC to cover their tax. For subcontractors that are not registered for CIS, 30% is deducted.

Contractors register for CIS at the same time as [registering as an employer](#). Subcontractors can register by phoning the HMRC Helpline at 0300 200 3210, or online through [HMRC online services](#).

### Which work is covered?

CIS covers construction works to a permanent or temporary building or structure, and any civil engineering work like roads and bridges.

Construction work includes preparing the site, demolition, building work, alterations, repairs, decorating, installing systems and cleaning up after the construction work. There are some

exclusions, such as architecture, surveying, carpet fitting, scaffolding hire and delivery of materials.

A complete list of included and excluded work can be found in the [CIS guide for contractors and subcontractors](#).

### Monthly CIS returns

Contractors need to complete monthly CIS returns. The monthly returns inform HMRC about the payments and deductions made throughout the period.

The return must include all payments to all subcontractors in the month, regardless of the subcontractors' CIS status or deduction rate. It is also necessary to declare that the subcontractors are not considered employees of the business.

To complete the return, you will need each subcontractor's name, UTR and verification number, as well as the gross amount of payments made to each subcontractor, the total cost of any materials paid for by the subcontractor and the amount of tax deducted.

If you have months in which no payments were made to subcontractors, you must file a nil return to HMRC.

### CIS invoices

CIS subcontractor invoices must include the CIS deduction to show how much is being deducted and transferred to HMRC. This is usually included in the cost breakdown, above the total due.

In addition to the CIS deduction, the domestic reverse charge may apply to the sale if your business is registered for VAT. This means that you will have to apply the reverse charge to your invoices which means that the buyer will account for VAT rather than the supplier. To apply the reverse charge, you can zero out the VAT and add a disclaimer on the invoice "Domestic reverse charge: Customer to pay the VAT to HMRC".