

Property Bulletin

Construction Industry Scheme Update

There is no doubt that taxpayers now live in an increasingly hostile taxation environment. It is not only the ever increasing burden of taxation but also the complexities of the legislation involved.

Changes have taken place to the Construction Industry Scheme (CIS). These have been well publicised but there still seem to be a large number of people who are affected who either believe the changes will go away or really don't understand the impact that the changes have on them.

Make no mistake these changes represent a real tax minefield. They will cause many casualties. So what is new?

Changes to the payments classification

From 6 April 2007 there were three payment classifications, gross payments with no tax deducted, payment under the standard deduction of tax and payments under the higher rate deduction of tax. There was also a change to the standard rate tax deduction. Not only do you need to deduct tax at the correct rate you also need to know how to correctly work out the amount of the payment that is subject to deduction.

Verification

Before any payment is made at all you need to verify with HM Customs & Revenue what rate of deduction is relevant to the person you are paying.

Monthly returns

Monthly returns need to be made by the 19th of the month following the payment month. Another burden at your door. But that's not all!

The status of subcontractors

Gone are the days when you made a payment to anyone and just hoped they were self employed. Most of you will have some of those skeletons in your cupboard!

From 6 April 2007 you have been required to sign a statement every month saying that you have considered the status of the people you have paid and that no payments have been made under a contract of employment.

This means that you have got to get it right and do it properly otherwise you'll be facing crippling tax bills that could even bring your business to its knees. What's worse is that working out the status of subcontractors can be a really complicated, grey area.

The one thing you must do

There is no alternative but to take some proper tax advice. You need to establish the status of your subcontractors. You need to know chapter and verse on all the changes.

If you are a sole trader you may need to consider alternative trading vehicles. If you are a company you may also require some changes.



The one thing you can't afford to do

You just can't afford to sit back and hope this goes away. If you do nothing it will only be a matter of time before disaster strikes!

For more information contact Nick Haines on 01242 237661 or e-mail: nmh@hazlewoods.co.uk



Nick Haines
Tax Director
t: 01242 237661
e: nmh@hazlewoods.co.uk