

SUBCONTRACTORS (CIS) – client operated for online submission by firm

The purpose of this schedule and the Standard Terms of Business is to set out the basis on which we are to act as accountants and advisors with regard to the operation of the Construction Industry Scheme (CIS) for the subcontractors, and to clarify our respective responsibilities in respect of that work.

1 Your responsibilities

1.1 You will be responsible for carrying out verification procedures with HMRC for the subcontractors you use. You will provide us with the verification references given to you by HMRC. You will confirm for each subcontractor whether HMRC have advised that payment should be made gross, after standard rate deduction, or after higher rate deduction.

It is important to note that verification procedures must be carried out before any payment can be made to the subcontractor. They can however carry out work prior to verification.

You will provide us with the verification reference for subcontractors paid before the date of this letter, along with the deduction rate as advised by HMRC. You must also verify subcontractors you have used before but have not included on a CIS return in the current or last two tax years.

1.2 If you receive a notice of change from HMRC with regard to a change in deduction status for one of your subcontractors you undertake to forward it to us immediately. We will not be responsible for failure to effect a change where we do not receive the notice in time.

1.3 We will advise you of the net payment and deduction amounts for each subcontractor. In order for us to do this you will provide us with the following by the day of each month stated in **Key Facts**:

- (a) the amount of gross payment (excluding VAT) due to each subcontractor.
- (b) the amount of own materials cost included within the gross payment. In providing this to us you confirm that you have either obtained direct confirmation from the subcontractor of the amount or you consider the amount not to be excessive.

1.4 You will be responsible for preparing the statements of deduction to support each payment and providing them to each of your subcontractors electronically or by hard copy by the 19th of the month following payment.

1.5 You will maintain the record of payments as required by HMRC.

1.6 You will be responsible for confirming the self-employment status of all your subcontractors. We will ask you for written confirmation of this prior to confirming the monthly return, including the status declaration, on your behalf. From 2017-18, the information for verifying subcontractor status must be delivered to HMRC electronically. We can provide advice on a case by case basis, should you so require.

1.7 If relevant, we will apply for authority using the online agent authorisation procedure (see 2.5 below). This will result in you being sent an authorisation code by HMRC. Once you receive this it needs to be provided to us to complete the registration.

2 Our responsibilities as accountants

2.1 We will advise you of the net payment and deduction amounts for each subcontractor, subject to the terms of paragraph 1.3 above.

2.2 On the basis of the above calculations, we will complete the HMRC monthly returns on your behalf electronically. The monthly returns are due by the 19th of each month.. Failure to meet this deadline will result in financial penalties being levied, for which you will remain liable. Returns are not mandatory where no subcontractors have been paid since the last return,



However, HMRC will still issue a penalty notice if a return is not received by the due date which will have to be appealed. To avoid this, we will complete nil returns on your behalf where no subcontractors have been paid since the last return.

- 2.3 We will send you a copy of the monthly return submitted on your behalf.
- 2.4 We will calculate and advise you of the amount of tax deducted from your subcontractors that needs to be paid over to HMRC each month. Note that payments need to reach HMRC by the 19th of the month following payment for postal payments and by the 22nd where electronic payment methods are used.
- 2.5 We will submit your CIS information online where possible. Accordingly, we will apply for authority using the online agent authorisation procedure. We may also write to HMRC to ensure that we are provided with all paper CIS output. HMRC do sometimes overlook the authority to send information to us and therefore you should always send us the originals or copies of all communication you receive from them.