

## SUBCONTRACTORS (CIS) – firm operated

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 We will carry out verification procedures with HMRC for any new subcontractors you use. To enable us to do this you will provide us with the following once a contract has been signed or a tender agreed:

- where the subcontractor is a sole trader you will provide their full name, unique tax reference (UTR) and national insurance number.
- where the subcontractor is a partnership you will provide the firm's name and unique tax reference, as well as the individual partner's name, unique tax reference (UTR), and national insurance number. If the partner is a company you will provide the company's unique tax reference (UTR) and registration number.
- where the subcontractor is a limited company you will provide the company's name, unique tax reference (UTR) and registration number.

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 provide to each of your subcontractors by the 19<sup>th</sup> of the month following payment the written statements of deductions (which we will provide – see 2.5 below) to support each payment.

1.5 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 signing/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.

1.6 We will apply for authority using the online agent authorisation procedure (see 2.8 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 carry out verification procedures with HMRC for any new subcontractors you use, subject to the terms of paragraph 1.1 above.
- 2.2 We will advise you of the net payment and deduction amounts for each subcontractor, subject to the terms of paragraph 1.3 above.
- 2.3 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 19<sup>th</sup> of each month. Failure to meet this deadline will result in financial penalties being levied, which you remain liable for. 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.
- 2.4 We will compile the monthly return as your agent and submit it electronically, based on the information provided by you. We will provide you with a summary of the declared information and it is your responsibility to inform us without delay if you believe an error has been made.
- 2.5 We will prepare written statements of deduction to support each payment, which you will provide to each of your subcontractors by the 19<sup>th</sup> of the month following payment (see 1.4 above).
- 2.6 We will maintain the record of payments as required by HMRC.
- 2.7 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 19<sup>th</sup> of the month following payment for postal payments and by the 22<sup>nd</sup> where electronic payment methods are used.
- 2.8 We will apply for authority using the online agent authorisation procedure. We will submit your CIS information online where possible. 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.