

Changes to Construction Industry Scheme rules from April 2021

The Government published draft legislation on 12th November 2020 making changes to the Construction Industry Scheme.

These changes come into effect on 6th April 2021 are to try and tackle abuse of the Construction Industry Scheme.

Key Changes

CIS set-off amendment power

This measure brought in, is a power to allow HMRC to amend the CIS deduction amounts claimed by Sub-Contractors on their Real Time Information (RTI) Employment Summary Returns (EPS).

This in turn will allow HMRC to correct errors or omissions relating to claims, to remove claims and to prevent certain employers from making further similar claims, where employers do not provide evidence of eligibility and/or evidence of the amounts deducted after HMRC have requested an amendment.

CIS registration penalty

The measure expands the scope of the penalty for supplying false information when applying for gross payment status (GPS) or payment under deduction within the CIS. Individuals and companies will now be liable to a penalty if they are in a position to exercise influence or control over the person making the application, and either encourages that person to make a false statement or supply a false document in support of that application; or where they themselves make a false statement or supply a false document for the purpose of enabling another person to register for GPS or payment under deduction.



Cost of materials

The measure makes it clear that it is only where a sub-contractor directly incurs the cost of materials purchased to complete a construction contract, that the costs in question is not subject to deduction under the CIS.

Deemed contractors

The measure changes the rules for determining which entities operating outside the construction sector need to operate the CIS ('deemed contractors'). Rather than looking back at each year end to determine the level of construction expenditure these businesses will need to monitor that expenditure more regularly and apply the CIS when construction expenditure exceeds £3 million within the previous 12 months.

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