

## **Construction Industry Scheme (CIS)**

Every company that works in construction is responsible for paying CIS. This will be either CIS Suffered (deducted by a third party) or CIS Liability (this will be deducted by the company). CIS Liability is 20% of the gross amount.

A company pays CIS on the gross of the labour excluding materials and value added tax:

1. A company can declare CIS either Send your monthly Full Payment Submission (FPS) as usual to HMRC.
2. A company can send an Employer Payment Summary (EPS). Enter the total CIS deductions for the year to date.
3. HMRC will take your CIS deductions off what you owe in PAYE tax and National Insurance. Pay the balance by the usual date.

The CIS Suffered can be used to reduce PAYE liabilities and can be offset to corporation tax or VAT liabilities. Any remaining CIS balance can be claimed on a yearly basis based on the tax year such as 06/04/2019 to 05/04/2020. This will relate to 19/20 tax years.

A company can be registered into gross scheme for CIS. The criteria is as follows:

- you've paid your tax and National Insurance on time in the past
- your business does construction work (or provides labour for it) in the UK
- your business is run through a bank account

HMRC will look at your turnover for the last 12 months. Ignoring VAT and the cost of materials, your turnover must be at least:

- £30,000 if you're a sole trader
- £30,000 for each partner in a partnership, or at least £100,000 for the whole partnership
- £30,000 for each director of a company, or at least £100,000 for the whole company

If your company is controlled by 5 people or fewer, you must have an annual turnover of £30,000 for each of them.

### **CIS for sole traders**

This is different for sole traders. Sole traders can offset CIS liability to their income tax and the remaining balance will be transferred into their bank account.

### **Capital allowances**

Companies often purchases assets (which functions within the entity). Companies can reduce their tax liability by claiming Annual Investment allowance: 18%, 8% or 100% first year allowances.

Currently annual investment allowance is £1million starting from 1st January 2019. Before this date annual investment allowance was £200,000. Companies need to apportion their

annual investment allowance such as up to 31st December they should take £200,000 and after 1st January 2019 £1 million up to the year end date.

However, on cars annual investment allowance cannot be claimed, instead 18%, 8% and 100% first year allowance can be claimed.

More information on capital allowances please click the link below:

<https://www.gov.uk/capital-allowances/business-cars>