

Late Penalties for Construction Industry

You may have received some notification from the Inland Revenue of changes to the CIS scheme. From 19th October 2007 an automatic penalty of £100 will be charged for any late submission of monthly returns. This penalty is payable not only on the October return, but for any outstanding returns (nil or otherwise) due under the new scheme applicable from April 2007. The penalty of £100 applies for the first 50 sub-contractors and for each additional 50 sub-contractors there is an additional penalty of £100. A further penalty will be levied for each and every month that a return remains outstanding.

HMRC have indicated that they will be carrying out a review at least once in every 12 month period to ensure that your CIS compliance is being kept up to date. One of the simplest checks they can make is to ensure that the monthly returns and payments have been received on time.

Under the new rules, HMRC have the potential to remove a business's gross payment certificate should it fail their compliance tests. Unlike the old scheme where this would only impact every three years on applications for renewed applications, this is now a rolling process and removal of the business's gross payment certificates would require it to have 12 months of full compliance before it could be reinstated.

The need for CIS registered companies to comply extends beyond the CIS scheme itself to include compliance with regulations in respect of PAYE, corporation tax and personal tax requirements on the company directors, and relates not only to submission of return but also to the payment of tax that is due. More information can be found on <http://www.hmrc.gov.uk/new-cis/index.htm>

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The information contained on these web pages is for general guidance only and is in no way a substitute for seeking professional advice on your specific circumstances.