

Construction Industry Operational Forum (CISOF) minutes

Meeting held on Wednesday 23 September 2009, 100 Parliament Street, London.

Present (industry):

Liz Bridge (LB) (JTC)
Eric Rolfe (ER) (JTC)
Howard Royse [HR] (ICAEW)
Sue Cave (SC) (FSB)
Steve Crawte (SCe) (NSCC)
Glenn Collins (GC) (ACCA)
Stephen Burrell (SB) (CIOT)
Jim Etherton (JE) (BASD)
Peter O'Connell (PO) (FMB)
George Northall (GN) (CBI)
Alison Watson (AW) (IPPM)
Elaine Gibson (EG) (IPPM)

Present (HM Revenue & Customs):

Ray Bourley (RB) (Chair)
Jeremy Croucher (JC)
Gordon Martin (GM)

Apologies:

Gordon Marjoram
Suzannah Nichol
Ken Claydon
Terry Dummett

Minutes of last meeting (24 June 2009)

It was noted that all action points arising had been catered for in the minutes prior to publication. As CISOF now meets on a quarterly basis only, HM Revenue & Customs (HMRC) will ensure that this happens in the future as well.

JE and LB pointed out that the question relating to the provision of data relating to paper returns was more to do with the number of entries on paper returns rather than the numbers issued on a monthly basis.

The following table provides this:

Number of subcontractors on each monthly return - April to September 2009

No/Month	Apr	May	Jun	Jul	Aug	Sep
0	20,401	29,333	23,332	26,419	19,984	16,928
1-5	36,354	51,733	40,424	44,455	36,694	30,214

6-10	5,390	7,996	6,200	6,712	5,607	4,852
11-20	2,623	3,771	2,897	3,189	2,868	2,444
21-50	1,104	1,646	1,335	1,462	1,352	1,290
50+	418	520	450	484	512	507

HMRC issues

(a) Construction Industry Scheme (CIS) statistics - (RB) referring to pages 16 to 26 of the information packs observed that penalties were still being issued for May 2007 (599 in September). HMRC is specifically tracking these to establish the reasons.

Industry asked that the minutes provide a quarterly update on the DMB position with regard to both returns and penalties.

(b) TTQT

HMRC hope to be in a position to switch off the manual intervention checks of the TTQT process in November. As TTQT will then be fully automated, the number of reviews remaining on hand will quickly cease to be an issue.

SC had requested a table showing TTQT failures by business size which was attached to the information pack. It was confirmed that the 'failures' represented those who had failed TTQT rather than had actually lost gross status after any appeal. The percentage figures referred to the total population in that segment. The percentage of the gross population could be simply calculated by reference to the figures in the final column.

(c) Scope review

HMRC is now looking to getting the scope updates detailed during the meeting of 24 June published on both the HMRC website and the booklet CIS340 as soon as possible

Repair of systems. Construction Industry Scheme legislation only defines as a construction operation the installation of systems of heating, lighting, air-conditioning, ventilation, power supply, drainage, sanitation, water supply or fire protection. So, these will only be brought within scope either during a new build or a re-development of a building or structure or during the replacement of an entire system within an existing building. The legislation does not include repairs to these systems as a construction operation, so, in isolation, any repairs to parts of these systems will not fall within the scope. For example replacing old taps on a bath or sink, or fitting a new radiator to an existing central heating system. In most of these cases, it will be a like for like replacement of existing parts of a system, requiring no additional work. However, where a repair is such that it requires additional construction operations to be carried out under the same contract, that repair will be caught under the mixed contract approach. For example, replacement of a damaged bath with a longer or wider new bath, that also requires alterations to made to the existing brick work, plasterwork or tiling.

(d) False self-employment consultation - (RB) referring to the link to the consultation document emailed to CISOF members on 3 August, advised that:

- the closing dates for comments was 12 October 2009
- responses needed to be made to HM Treasury, not HMRC
- the consultation was primarily to do with status, not CIS

Industry issues

(a) **Chain of payments/compliance** (GN/SC) - SC asked how many CIS compliance visits were being undertaken. RB advised that whilst there was no set CIS compliance programme, CIS was nonetheless regularly monitored by local compliance as part of its normal employer compliance activity. CIS Management Information Statistics (MIS) and risk rules flag up cases for intervention by local compliance.

(b) **Fringe CIS businesses** (SB) - SB identified the potential problems for businesses not directly involved in construction and yet needing to operate CIS on occasion, for example, landscapers. Potentially, late filing penalties etc could far outweigh the income/deduction levels involved. Are there any plans for a de minimis limit?

RB advised that this becomes an issue if the business enters into a contractual arrangement which comes within CIS without realising the need to comply with CIS. There were no plans for a de minimis limit, but the penalty regime had been changed in Finance Act 2009 to come into force at a later date. He would contact Local Compliance to ascertain their current approach to such cases. (Update: Local Compliance said the current approach was that where compliance officers discover a small one-off payment which should strictly have been reported under CIS, they will normally simply point out to the business the correct procedure and warn them about future compliance where no other discrepancies have been found.)

(c) **Tax treatment changes/late or non-notification** (LB) - With regard to the late receipt of a notice of tax treatment change (CIS316), KC's advice to LB of 18 September was:

'The only sensible, and pragmatic solution in cases like this is for the contractor to action the letter as soon as received (or discovered), where postal delays have occurred or the letter has otherwise not been actioned immediately. In these circumstances, we don't want contractors getting involved in re-calculations or recoveries of deductions not yet made'

The messages given to users when there are problems with e-filing or e-verification are not always very clear. RB advised that CIS does not own this process but we have raised the matter with our online services colleagues who have agreed to look again at the wording.

Any other business

SC asked how long (on average) it takes to process an application for gross payment status (GPS). The following data relates to applications made in August and September 2009.

6 days or less	50.5%
7-14 days	20.2%
15+ days	29.3%

HMRC were also asked to clarify the forms needed to make an application for gross payment status.

Sole trader CIS302
Partnership CIS304
Company CIS305

HR raised the issue of recent postal strikes on CIS returns. RB said that HMRC were monitoring the effects on the filing of returns, but profiles of daily receipts did not show any noticeable overhang after the filing date.

(Post meeting note. Due to unforeseen circumstances, the CISOF meeting planned for **Wednesday 2 December 2009** was cancelled.)

Consensus of opinion is to keep to quarterly meetings for 2010. Subject to the availability of appropriate venues, the dates are:

Wednesday 17 March 2010 (confirmed)

Wednesday 23 June 2010

Wednesday 22 September 2010

Wednesday 1 December 2010

Jeremy J Croucher (CISOF secretary)
October 2009