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Data items for address areas to be courier 10pt

# Construction Industry Scheme Credit for CIS deductions

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# v1.1\_18.08.05

REPRINT-REFERENCE--X 999

RECIPIENT NAME LINE 1 -----X  
 RECIPIENT NAME LINE 2 -----X  
 ADDRESS LINE 1 -----X  
 ADDRESS LINE 2 -----X  
 ADDRESS LINE 3 -----X  
 ADDRESS LINE 4 -----X  
 ADDRESS LINE 5 -----X  
 POSTCODE X

Unique tax reference (UTR) 99999 99999

Issued by

ISSUING OFFICE ADDRESS LINE 1-----X  
 ISSUING OFFICE ADDRESS LINE 2-----X  
 ISSUING OFFICE ADDRESS LINE 3-----X  
 ISSUING OFFICE ADDRESS LINE 4-----X  
 ISSUING OFFICE ADDRESS LINE 5-----X  
 ISSUING OFFICE ADDRESS LINE 6-----X  
 POSTCODE X

Issuing office address data: overlay text aligned at X = 120mm

Top of recipient address data: X = 34mm, Y = 36mm

CIS Helpline 9999 999 9999

Date 99 XXXXXXXXXX 9999

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## Tax year ending 5 April XXXX

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### Arrangement to set off company CIS deductions during the year

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There is an arrangement for **subcontractor companies** that

- have CIS deductions made from their own income, **and**
- make regular payments to HM Revenue & Customs as employers or contractors.

As employers or contractors, companies make monthly or quarterly payments to HM Revenue & Customs of

- PAYE and NICs due from their employees
- CIS liabilities due from their subcontractors
- Student Loans.

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Under this arrangement, companies should simply reduce the amount of their PAYE, NICs, Student Loans and CIS payments to HM Revenue & Customs, by the amount of the CIS deductions made from their own income.

### Recording CIS deductions set off

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Companies can use the enclosed form **CIS132** to keep the required record of the amounts of CIS deductions set off against payments due, during the tax year.

### Form CIS132 lists the key points of the arrangement for companies.

Where CIS deductions are greater than the payment due for PAYE, NICs, Student Loans and CIS liabilities in a particular month or quarter, **excess deductions** are

- carried forward to set against future payments in the same tax year
- considered for refund or credit, only after the annual **P35** (showing relevant CIS details) has been delivered to us.

There are examples showing how the arrangement works over the page.

### If you need more information ...

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- Phone our Helpline on **0845 366 7899** if you need to know more about how the arrangement will affect you.
- Guidance is also available from our website at **www.hmrc.gov.uk/cis**

## Credit for CIS deductions continued

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emboldened

### Examples of how the arrangement works

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#### Example 1

Jones, a contractor in the construction industry,

- pays £5,000 in the tax month ending 5 October 2006 to Smith Ltd,  
*a company that is registered for payment under deduction*
- deducts **£900** from the payment
- gives Smith Ltd
  - a payment and deduction statement showing the gross amount of payment, and the amount deducted
  - a net payment of £4,100.

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The company Smith Ltd

- does not pay any subcontractors in the tax month ending 5 October 2006
- deducts a total of £4,000 PAYE and NICs when it pays its regular employees in that tax month
- is therefore due to make a payment to HM Revenue & Customs of **£4,000** for the month.

Under the arrangement, Smith Ltd sets off the £900 CIS deduction from its income, against the £4,000 payment it is due to make.

Smith Ltd therefore makes a reduced payment for the month of **£3,100** to HM Revenue & Customs.

#### Example 2

Brown Ltd is a company that is registered for payment under deduction. CIS deductions of **£2,000** are made from the income it receives for construction work, in the tax month ending 5 December 2006.

Brown Ltd, in the same tax month,

- deducts £1,000 from the payments it makes to its own subcontractors registered for payment under deduction
- deducts £500 PAYE and NICs from the pay of its regular employees
- is therefore due to make a payment to HM Revenue & Customs of **£1,500** for the month.

Under the arrangement, Brown Ltd has £2,000 of CIS deductions available to set off, and decides to do so against the £1,500 payment due.

Brown Ltd therefore

- makes **no payment** for the month to HM Revenue & Customs
- sends a 'Nil Payslip' to the HM Revenue & Customs Accounts Office.

The excess CIS deductions of **£500** which have not been used in the tax month, can be set off against Brown Ltd's payment of PAYE, NICs, Student Loans and CIS liabilities for the tax month ending 5 January 2007, and any unused balance in any of the following months until the end of the tax year at 5 April 2007.