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Performing building works

Developers – Should you be registered for CIS?

If you are a business and are involved in construction you are probably aware of Construction Industry Scheme (“CIS”) but it is often overlooked by property developers and property investors.

CIS is applicable to both residential and commercial projects and covers most construction work to a permanent or temporary buildings or structures.

Who is caught under the scheme?

1. Contractors;
2. Deemed contractors; and
3. Sub-contractors.

Property developers are involved in the creation of new buildings, renovating or performing conversions of existing buildings, or other civil engineering works.

Almost all property developers use the services of independent tradespeople such as bricklayers, carpenters, painters, electricians, and plasterers, and so on. By using other people’s labour to carry out building work HMRC may see your business as a ‘contractor’ who should be part of the scheme.

A property investment business acquires and disposes of buildings for capital gain or retains it for rental income, it is not usually involved in the construction, alteration or extension of buildings. If a property estate is substantial enough its expenditure on construction operations could cause it to fall within the meaning of a ‘deemed contractor’.

Deemed contractors are businesses outside the mainstream construction industry who regularly carry out or commission construction work on their own premises or investment properties. To be classed as a deemed contractor a business must spend an average of more than £1 million per year over a three year period.

A subcontractor is a person or body that has agreed to carry out construction operations for a contractor. The subcontractor may be carrying out the operations in any way, including:

- Carrying out the operations themselves; or
- Having the operations performed by their own employees or subcontractors.

What works are caught?

Construction works include:

- Preparing the site, e.g. laying foundations and providing access works;
- Demolition and dismantling;
- Building work;
- Alterations, repairs and decorating;
- Installing systems for heating, lighting, power, water and ventilation; and
- Cleaning the inside of buildings after construction work.

There are a number of exceptions to the works which are caught under the scheme but if you are making payments to a subcontractor you should consider whether you should be registered for CIS.

Please contact us if you have any questions about the scheme or your situation.

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