

Press Release from HM Revenue & Customs (National)

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HMRC warn of CIS penalties

From 19 October, HM Revenue & Customs (HMRC) will start charging penalties for all CIS returns not received by the due date, namely the 19th of every month. This includes returns due from the start of the new scheme between May and September, including nil returns.

After this date, any return not received from contractors by the due date will be liable to a fixed penalty of £100 and a further penalty for every additional month that the return remains outstanding.

Doug Tweddle, HMRC Senior Responsible Officer for the CIS Reform Programme, said:

"It's important that contractors operating the CIS scheme make sure that all their outstanding returns are sent in by 19 October, to avoid a penalty. We would obviously prefer not to have to issue penalties, but having had 6 months to get into the routine of sending returns in by the 19th of each month, contractors will now face penalties if they fail to do so.

"It's important to remember that nil returns must be submitted too - to make life easier, this can be done with one phone call.

"It's not too late for contractors to get their filing obligations up to date and avoid penalties, but they must act now".

Although new CIS was introduced on 6 April 2007, the penalty regime was deferred for 6 months, until October. This was so that contractors could familiarise themselves with the requirements of the new scheme, in particular, the need to submit returns on a monthly basis. To avoid becoming liable for a penalty, all returns due since April 2007 must be received by HMRC by 19 October.

To raise awareness of the deadline, HMRC is issuing warning letters to those who have failed to file returns, including penalty warning fliers, mailing out information to all contractors and agents this month, and in some cases, ringing non-filers personally. HMRC has also worked with industry bodies to ensure that they have made their members aware of the penalty regime.

Notes for editors

1. The new Construction Industry Scheme (CIS) is designed to secure payments from subcontractors on account of their final tax and national insurance liabilities.
2. The changes make it possible for key CIS transactions to be carried out online or over the phone (as well as on paper).
3. The latest set of figures for returns received by HMRC, expressed in '000s. These figures show that only about 57 per cent were received by the due date in September.

In the following month, we usually receive a further 20 to 30 per cent of outstanding returns.

Month	Returns due (000's)	Returns received (000's)		Returns received by due date (000's)	
Month 1	176	156	89%	104	59%
Month 2	171	148	87%	95	56%
Month 3	169	144	85%	82	49%
Month 4	169	124	73%	100	59%
Month 5	166	125	75%	95	57%

i. Provisional returns figures received as at 20 September 2007

4. The penalties are charged at £100 for every month that a return is late. If the return shows more than 50 subcontractors paid in the month, there will be an additional £100 penalty for every 50 subcontractors beyond the first 50. For example,

Number of subcontractors on return	Penalty
10	£100
55	£200
110	£300
620	£1,300

Note - The penalty will be charged for each month that a return has not been received. So, a return that misses the due date and is not filed by the 19th of the following month will incur the penalties shown above for both months.

A nil return that is not submitted on time will also incur a penalty of £100 for each month it is late.

Further information

* The New CIS Helpline on 0845 366 7899 - lines are open 8am to 8pm Monday to Sunday (minicom 0845 366 7894)

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