



If you are a building subcontractor, and the contractors you are working for are stopping tax from the payments they make to you, HMRC have upgraded their guidance for sub-contractors that want to register and be qualified to be paid gross, with no tax stopped.

The following HMRC notes explain who is qualified to apply and how to apply, and feel free to forward this alert to any building subcontractors that you consider may benefit.

To apply for registration under the new Construction Industry Scheme and have payments by contractors paid to you in full, your business must meet all of the following conditions:

- be run in the UK with a bank account;
- have a net turnover of at least £30,000 each year; and
- have complied with certain tax obligations.

These tests are known as the business test, turnover test and compliance test, and are explained below.

The business test

To pass this test your business:

- must be able to show us that it is conducting construction work in the UK or providing labour for such work; and
- is run through a bank account.

The turnover test

This test is based on 'net turnover'. This is your gross income from construction work excluding VAT and the cost of materials. To pass, you need to demonstrate that your business had a net construction turnover of at least £30,000 in the 12 months before applying for gross payment. If your net turnover is not enough to pass the test but your total turnover from all sources in the 12 months up to the application is more than the threshold, you may still be able to pass the test.

The compliance test

This test can be summarised as complying with your obligations to file:

- Self-Assessment tax returns;
- if applicable, filed any monthly returns due of CIS deductions made;
- if registered, that you have filed VAT returns by the due dates and paid any VAT due before the payment deadlines;
- if you have employees, that you have paid over any PAYE or NIC contributions by the due dates;
- paid your tax or NIC contributions; or
- supplied any information to HMRC that may have been requested.

HMRC have also indicated that they will disregard certain, limited filing or payment discrepancies, usually those limited to three late payment or late submissions during the same 12-month period.

Pass the tests? How to apply for gross payment status

If after reading this alert you feel that you should be qualified for gross payment status you will need to file an application form.

This can be done online, or by using the dedicated print and post form.

We can help

For further information on this, please call us on **01753 888 211** or email **info@nhllp.com**. We would be happy to help.