ZAZEN TAX

CIS Monthly Compliance

For contractors. About forty minutes a month, built around the 19th, which is the only date that does not move.

Tax month ending .... **Completed by** .... **Date** ....

A CIS tax month runs to the 5th. The return and the payment are due by the 19th of the month that follows it. Everything on this list is arranged to get you there without a late night on the 18th.

1. During the month, as it happens — about 10 minutes

- [ ] **Verify anyone new before you pay them**
  Not before you file. Before you pay. The rate cannot be corrected afterwards.
- [ ] **Keep labour and materials split on every invoice**
  The deduction is on the labour alone. An invoice with one total on it has to go back.
- [ ] **Record any CITB levy you deducted**
  It comes off the gross amount of payment before CIS, and off what you report.
- [ ] **Note anyone who has stopped working for you**
  It does not stop the return being due. It changes who is on it.

2. From the 6th, once the month has closed — about 10 minutes

- [ ] **Gather every subcontractor invoice for the tax month**
  The month ended on the 5th, not the end of the calendar month. This is the mistake that puts payments in the wrong return.
- [ ] **Check each one splits labour from materials**
  And that the materials figure is what they paid, not what they are charging you.
- [ ] **Confirm the rate applied to each payment**
  20, 30 or nil. A subcontractor who got gross payment status mid-month changes partway through.
- [ ] **Calculate the deduction on the labour only**
  Not the invoice total, and never the VAT-inclusive total.

> THE 5TH, NOT THE 31ST
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> The CIS tax month ends on the 5th. Payments made on the 6th belong in the next return. Working to calendar months puts a handful of payments in the wrong month every year and the returns never quite reconcile.

3. By the 11th, so nobody is chasing you — about 10 minutes

- [ ] **Issue a payment and deduction statement to every subcontractor you deducted from**
  Due within 14 days of the end of the tax month, so by the 19th. Doing it by the 11th means the questions arrive before the deadline rather than after it.
- [ ] **Include the verification number where the higher rate applied**
  They will need it, and it is the evidence they were not verified.
- [ ] **Keep a copy**
  Their claim depends on their copy. Your defence depends on yours.

4. By the 19th, without fail — about 10 minutes

- [ ] **File the monthly return**
  Total payments excluding VAT, total materials, total deducted.
- [ ] **File a nil return if you paid nobody**
  This is the most common CIS penalty there is. The work stopped, the returns did not.
- [ ] **Pay HMRC what you deducted**
  By the 22nd if you pay electronically, the 19th otherwise.
- [ ] **If you are a company, set the CIS you suffered against your PAYE**
  Monthly, through the EPS. A sole trader claims it on the self assessment return instead.

> **WHAT LATE COSTS**
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> £100 the day it is late. £200 more at two months. At six months and again at twelve, £300 or five per cent of the deductions, whichever is higher. Those are per return, so a forgotten quiet winter is four penalties for paying nobody anything.

5. If nothing is happening for a while about 5 minutes

- [ ] **Tell HMRC you are inactive rather than just stopping**
  An inactivity request stops returns falling due for six months. Without it they keep coming and so do the penalties.
- [ ] **Diarise the date the inactivity period ends**
  It does not renew itself.

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