Setup CIS (Construction Industry Scheme)

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Contractors and subcontractors

Follow this guide to set up

- **Company** as a **Contractor**
- **Employees** as **Subcontractors**

Before you start

You will need an existing company. This can be either:

- PAYE company that already exists and has been imported.
- If it is CIS only, a new company that you create with **Company create or copy**: see Copy company within the same client.

Set up the contractor and subcontractors

1. **Companies**
   - Update the company and enter the contractor **UTR** (Unique Taxpayer Reference), then click **Update**
2. **Setup** > **Report Definitions**
   - Add a **GB CIS 300** Report Definition to submit your monthly return
   - Add a **GB CIS Verify** data feed to enable online verification of subcontractors
   - If you are an employer, enter your **CIS username** and **CIS password** in the **GB CIS 300** and **GB CIS Verify** Report Definitions. If you are a bureau, you can enter your credentials once, for all your companies: **Setup** > **Credentials** > **Add...** > **GB CIS 300, GB CIS Verify**

- Usually, you will have a **Payslip3** Report Definition, which can also display the *Construction Industry Scheme Payment and deduction statement*
- Now delete all report definitions which are not needed. The only ones required for a CIS-only company will be the following:
  - GB CIS 300
  - GB CIS Verify
  - GB RTI EPS
  - Payslip3
  - Pre-approval summary2

3. **Employees**: Add or Update each employee who will be a subcontractor
   - **Main**
     - Enter the usual employee fields: **Username**, **Email address**, **Name**, **Start date**
   - **Bank**
     - Optionally add bank details if needed
   - **Tax**
     - Only change to a CIS type if you can confirm that the employment status of the individual included has been considered and payments will not be made under a contract of employment
     - Change the **CIS** field to **CIS sole trader**, **CIS partnership**, **CIS trust** or **CIS company**
     - **Weekly hours worked** can be set to Other
     - Either enter the
       - **CIS Trading Name**
       - **CIS UTR** and
       - **CIS CRN** (Company Registration Number) fields
       - or ask the Subcontractor to complete these fields using their mobile self-service app.
     - Not all fields will apply; e.g. a Partnership only has a UTR and Name.
   - Click **Update**

Pay subcontractors

Verification

Before you pay a new subcontractor, you must ‘verify’ them with HMRC using the CIS Verification data feed:

Data feeds > **GB CIS Verify** > **Refresh**

For every subcontractor you verify, the feed will update the employee subcontractor verification number with the number received from HMRC, along with the deduction rate. You must also verify a subcontractor you have used before if you have not included them on a CIS return in the current or last 2 tax years. The output of this verification is to add the Verification number and Tax treatment status to the CIS Pay Item inputs. Do not modify these values.

Pay Items

Pay Item Editor > **Create Pay Item**: create Shift/Material pay items for the subcontractor and enter appropriate positive Shift and negative Materials values. You may also wish to upload or use a data feed for large numbers of pay items.

Shifts use positive payment values; **Materials** must use negative values

Click **Show statutory Pay Items** to view the CIS Pay Item. If you did not verify the subcontractor with the data feed, you can enter the **Verification** number and the **Tax rate**:

Embedded media: https://paiyroll.com/wp-content/uploads/kb-snapshots/setup-cis-construction-industry-scheme/cis_pay_item.html

Click **Update** when done and check the mini payslip.

Pay run

Running a CIS pay run is the same as a PAYE pay run. Click **Redo** and the payslips (Construction Industry Scheme Payment and Deduction Statement) will be created.

Upon approval, the CIS 300 report will be submitted.

Multiple Pay runs

If you receive subcontractor information only after the main pay run pay date but before the 19th of the following month, you will need to set up a second pay schedule and a second pay run.

Follow these steps:

1. Add a new department for CIS Subcontractors, e.g. **Sub** in Setup > Departments
2. Switch any subcontractors into the new department in their respective Employees screen. Ensure regular employees remain in their usual department, e.g. **m1** and subcontractors in **Sub**
3. Add a new **CIS** pay schedule in **Setup** > **Pay Schedules**, ensuring that the target pay date falls inside the tax month, e.g. no later than the 5th
4. Update both pay schedules and ensure each schedule includes only the workers for that schedule. For example:
   - Schedule **CIS** only includes the department **Sub**
   - Schedule **m1** only includes department **m1**
5. Start the new pay run and, after redoing each of the two pay runs, check that each pay run includes only the required workers.

To meet the RTI FPS requirements, the usual pay run must be approved and submitted on or before the pay date.

The CIS pay run can be submitted any time up to the 19th of the following month. However, the earlier target date will ensure it is recorded in paiyroll® in the correct month.

Create CIS Pay Definitions

Generally, you will not need to create CIS Pay Definitions, as the usual import process will create these; you can disregard this section.

Busses

There are 2 CIS-specific busses in the system:

- Gross pay for CIS purposes
- CIS cost of materials

Any Pay Definitions used for CIS must be configured to connect to these busses and not to the usual PAYE or NIC busses. The normal setup process should provide 2 standard Pay Definitions:

- Shift (CIS) 1 for payments

- Materials (CIS) 1 for cost of materials

You will notice these definitions are numbered, allowing additional definitions to support multiple shifts and materials (e.g., Shift (CIS) 2).

Only if these pay definitions do not exist, or you need to create new CIS Pay Definitions e.g Shift (CIS) 2, you must ensure the output busses are correctly configured for CIS:

1. For CIS Gross Pay:
    - **Setup** > **Pay Definitions**, add a new Pay definition
    - Select the **Per unit** Pay Template
    - Un-tick all busses, then tick the following busses:
        - Gross pay for CIS purposes
        - .Gross pay
        - .Net pay
        - Gross pay for OD purposes

2. For CIS Materials:
    - **Setup** > **Pay Definitions**, add a new Pay definition
    - Select the Per unit or Deduction Pay Template:
    - Un-tick all busses, then tick the following busses:
        - CIS cost of materials
        - Gross pay for CIS purposes

Next steps

- Copy company within the same client
- Starting a Pay Run