

BRIEFING



HMRC – new CIS late-filing penalties

1 April 2011

HBF have been alerted by the HMRC that a new penalty regime is coming into effect on 5 November 2011, Contractors will be obliged to file a monthly return and account for any sums deducted from subcontractors.

People in the construction industry must be aware that HMRC will apply greater penalties where information has been deliberately withheld.

Penalties of will range from £100, with a ceiling of £3,000 for new contractors who are late in filing their first returns.

Full details below:

Don't get caught out by new CIS late-filing penalties

Penalties for late or non-filing of monthly Construction Industry Scheme (CIS) returns by contractors are changing from November this year. Under CIS, contractors are obliged to file a monthly return and account for any sums deducted from subcontractors.

The new penalty regime comes out of the Finance Act 2009. The first return affected by the changes will be for the month ending on 5 November 2011.

From November 2011, the following penalties will apply to returns that are not filed, or are filed late:

- as soon as the return is late – a fixed penalty of £100;
- two months after the filing date – a second, fixed penalty of £200;
- six months after the filing date – a tax-geared penalty which is the greater of £300 or 5 per cent of the amount of deductions shown on the return;
- 12 months after the filing date – a second tax-geared penalty which is the greater of £300 or 5 per cent of the amount of deductions shown on the return.

If HMRC believes that information has been deliberately withheld, greater penalties may apply. In addition, HMRC charges interest on any penalty amount paid late.

For new contractors who are late in filing their first return or returns, a limit will apply to the amount of fixed penalties that can be charged so that the £100 and £200 penalties do not exceed a maximum of £3,000. During this initial period, before a new contractor sends their first return(s), no tax-gearred penalty will be issued. Once returns are received, however, penalties will be adjusted to include 5 per cent of the amount of any deductions shown on those returns.

When the new penalties begin, no more automatic penalties will be issued for outstanding returns up to and including the one for the month ending on 5 October 2011. Those penalties already charged still need to be paid unless they have been successfully appealed against. Payment of these should be made immediately.

To avoid penalties:

- file your return in good time (to reach HMRC by the 19th of the relevant month);
- tell HMRC immediately if you stop trading or do not pay subcontractors in a particular period.

Further information will be published at www.hmrc.gov.uk/cis/cis-whatsnew.htm as it becomes available.

A letter giving all relevant detail will be issued to all CIS contractors in September 2011.

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