



**GIG**  
CYMRU  
**NHS**  
WALES

Bwrdd Iechyd Prifysgol  
Cwm Taf Morgannwg  
University Health Board

**FINANCIAL CONTROL PROCEDURE:  
CONSTRUCTION INDUSTRY SCHEME**

<b>Initiated by</b>	Director of Finance <u>&amp; Procurement</u>
<b>Approved by</b>	Audit Committee
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<b>Distribution</b>	Assistant Director (Capital & Estates) NHS Wales Shared Services Partnership

**Freedom of Information Status:** Open

This policy has been subject to a full equality impact assessment.

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## **1. SCOPE AND PRINCIPLES**

- 1.1 This procedure details the principles and requirements of HM Revenue & Customs Construction Industry Scheme, and the controls that are required to ensure compliance of Cwm Taf [Morgannwg](#) University Health Board (UHB) with the Construction Industry Scheme (CIS).
- 1.2 This procedure should be read in conjunction with HM Revenue & Customs guide 'Construction Industry Scheme: A Guide for contractors and subcontractors (CIS 340)'.
- 1.3 The procedure should also be read in conjunction with other relevant financial procedures, in particular FP6 which deals with creditor payments.
- 1.4 Under the scheme, the UHB is deemed to be a contractor and must therefore operate the relevant procedures whenever it sub-contracts work that is within the scope of the scheme.
- 1.5 The scheme applies to specified construction work and also includes services such as installation, repairs, decoration and demolition. A comprehensive list of services that are included in the scheme can be found in Appendix C of the guide CIS 340 referred to in paragraph 1.2 above. The definition of a contractor and subcontractor is also provided within Section 1 of the guide.
- 1.6 This procedure also applies to those staff who are employed by the NHS Wales Shared Services Partnership (NWSSP) who process and pay transactions on behalf of the UHB.

## **2 SCHEME OVERVIEW**

### **2.1 The Construction Industry Scheme.**

The scheme sets out the rules for how payments to subcontractors for construction work must be handled by contractors in the construction industry and certain other businesses, such as the National Health Service.

Under the scheme, all payments made by the UHB to subcontractors must take account of the subcontractor's tax status as determined by HM Revenue & Customs (HMRC). This may require the UHB to make a deduction, which is paid to HMRC, from that part of the payment that does not represent the cost of materials incurred by the subcontractor.

## 2.2 Classification of subcontractors.

Subcontractors should register for the scheme for assessment by HMRC prior to commencing any work within the construction industry. Contractors will pay the subcontractor in one of the following ways:

Gross – without any deductions taken from the payment

Net - deduction at the current standard rate of 20%

Net - deduction at the higher rate of 30% where the subcontractor has not registered for the scheme.

2.3 All deductions made by the UHB shall be paid to HMRC.

2.4 The UHB is required to make a monthly online return to HMRC. ~~The link to the return can be found at~~ <https://online.hmrc.gov.uk/home>

## 3. ACCOUNTS PAYABLE PROCEDURES

3.1 A schedule of verified subcontractors will be maintained by the NWSSP Accounts Payable team indicating their current tax status. Subcontractors not included in the schedule may be verified on line in order to ascertain their tax status.

3.2 NWSSP Accounts Payable staff will review all invoices received from subcontractors to ascertain whether the work carried out falls within the scope of the scheme.

3.3 Where an invoice falls within the scheme NWSSP Accounts Payable staff will take the following action:

Subcontractors to be paid gross – invoice entered in ORACLE and processed in the normal way.

Subcontractors to be paid net, or have not registered with the scheme – invoices are passed to the NWSSP Accounts Payable officer responsible for CIS, for processing in ORACLE. ORACLE will automatically make the necessary deductions dependent on status and allocate the withholding amount against the HMRC account.

3.4 A report is produced to identify all payments made under the CIS Scheme for the month (The 6<sup>th</sup> of the previous month to December 2020

the 5<sup>th</sup> of the current month). This report is verified by the NWSSP Accounts Payable officer responsible for CIS. Once verified, the withholding tax held in the HMRC account is then released for payment. This payment must be received by the 19<sup>th</sup> of the month.

- 3.5 At the close of each tax month (5<sup>th</sup> of each month), the NWSSP Accounts Payable officer responsible for CIS will enter the payment and deduction totals of each subcontractor into a monthly return within the HMRC online system. A nil return must be made where no payments exist. The return must be finalized prior to the 18<sup>th</sup> of the month.
- 3.6 The NWSSP Accounts Payable officer responsible for CIS will forward schedules of payment and deduction (Appendix 1) to each subcontractor who has been subject to deduction. The deadline for the receipt of these schedules is 19<sup>th</sup> of the month.
- 3.7 The NWSSP Accounts Payable officer will then forward relevant information to the Financial Accountant who will arrange for a monthly reconciliation of deductions to the General Ledger to be completed.

#### **4 EQUALITY IMPACT ASSESSMENT**

- 4.1 Following assessment, this policy is not felt to be discriminatory or detrimental in any way with regard to the following equality strands: Gender; Race; Disability; Age; Sexual Orientation; Religion or Belief; Welsh Language or Human Rights.

## Appendix 1

CWM TAF MORGANNWG UHB

TEL:

### PAYMENT AND DEDUCTION STATEMENT - CONSTRUCTION INDUSTRY SCHEME

#### Contractor's Name & Address

Contractor's Employer's Reference Number  
Construction Industry Scheme  
Statement of payment and deduction for month  
ending:

948 PK00145199

05/ xx/20xx

#### SUBCONTRACTOR

Name

Unique Taxpayer Reference

Verification Number

Gross amount paid (Excl VAT) - (A)

Less Cost of Materials

Amount liable to deduction @ 20%

Amount Deducted - (B)

Amount payable (A-B)

£0.00

\* Verification number only to be entered where  
deduction at the higher rate is made

Invoice Details