



# IRIS Payroll Professional

Guide to the Construction Industry Scheme



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## Introduction

The Construction Industry Scheme (CIS) covers the deduction of Tax from certain Subcontractors who are not subject to PAYE.

CIS subcontractors have to pay a different amount of tax to HMRC each month depending on their status. HM Revenue & Customs holds a database of all Subcontractors together with their tax status and Unique Tax Reference (UTR).

The CIS has been around for many years; however from 6<sup>th</sup> April 2007 a new scheme was introduced which dispenses with the need for registration cards, certificates and vouchers and replaces them with electronic registration via HMRC's gateway.

**For more information on CIS, click this link to view HMRC's leaflet on the web: [www.hmrc.gov.uk/new-cis/cis340.pdf](http://www.hmrc.gov.uk/new-cis/cis340.pdf)**

The IRIS Payroll Professional CIS module allows you to:

- Create companies on your payroll that are purely for CIS
- Store the UTR for each company
- Contact HMRC's gateway to verify the tax status of any of your subcontractors
- Calculate VAT for VAT registered companies
- Withhold part of the payment until future pay periods
- Print Invoices and Remittance advices
- Provide the compulsory monthly tax returns to HMRC online
- Create a journal file
- Link Subcontractor companies to a PAYE company for reporting at the PAYE Year end
- Split Material and Labour costs between different jobs (if you also have the Costing Module)

This guide describes:

- How to create a company for CIS purposes
- The various payments and deductions which are set up automatically for you
- How to set up the system to use online services
- How to add subcontractors to the payroll
- How to verify your subcontractors' status'
- How to pay your subcontractors
- Reports available specifically for CIS companies
- Procedure to follow at month end

This guide concentrates on the functions specifically introduced for the CIS module. It is still possible to use most of the other functions that are within PAYE Companies. For example, you can use Rates or Salary to pay your subcontractors just as you would pay an employee in a PAYE Company

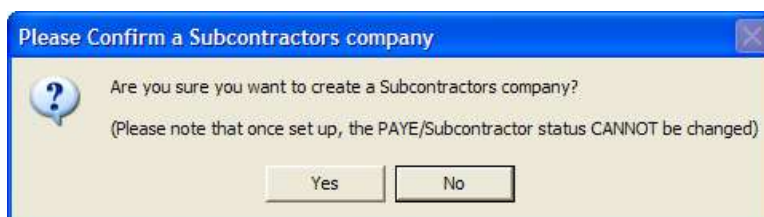
If you need more information or help with any of the screens you see whilst going through this guide, press the F1 key on your keyboard to go straight to the relevant Help topic in online Help.

## Creating a CIS Company

1. Click on the **'Company'** menu and select **'Create New Company'**
2. Enter a name into the **'Company Name'** field and click **'OK'**
3. Click **'OK'** on the given **Payroll Date**
4. The following message will appear on the screen:



5. Select **'No'** and the message will change to:

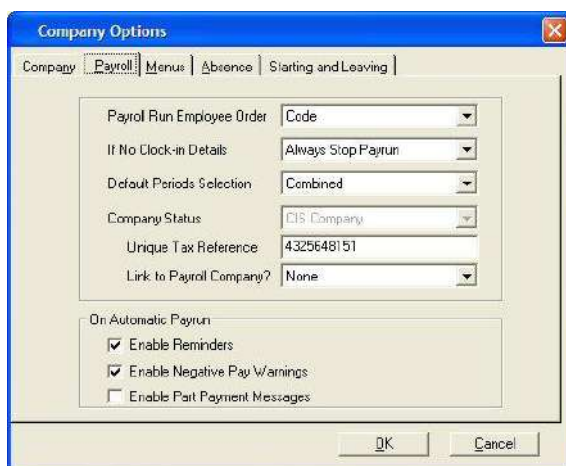


6. Select **'Yes'** to create the CIS company

As a reminder that you are in a CIS rather than a PAYE company you will see [CIS] beside the Company Name in the Title Bar on the main screen

7. To enter further Company Details click on the **'Company'** menu and select **'Alter Company Details'**
  - a. On the **Company** tab enter in the company address. Leave the **Directory for Data** as it is
  - b. Select the **'Tax'** tab. You must complete this section in order to verify your subcontractors online. Check the **Tax Year** is correct
  - c. If you are paying by BACS select the **'Bank'** tab and enter in the **Company Bank Account** details. Click on the right hand arrow at the bottom of the window to create more bank accounts
  - d. Select the **'Pay Rates'** and **'Overtime'** tabs if you use these with your subcontractors. If you need further help with this press F1 whilst the tab is open to access the online Help
  - e. Click **'OK'** to save your company details

There are also some company options to choose from when setting up your CIS Company. To access these settings click on the **Company** menu and select **'Alter Company Options'**



The important settings for CIS purposes are on the **Payroll** tab card:

- |                                 |  |
|---------------------------------|--|
| <b>Company Status</b>           | Shows 'CIS Company'  |
| <b>Unique Tax Reference</b>     | Enter your Contractor UTR here   |
| <b>Link to Payroll Company?</b> | This is a drop down containing a list of all your PAYE companies allowing you to link the CIS Company to a PAYE Company for year-end filing. You must select the company now so that the correct figures are transferred each month when you do the month end processing. It is possible to link more than one CIS company to the same PAYE Company. |

If you need more information on the other options, press F1 to open online Help.

## Adding Payments & Deductions

You need to set up any Payments and Deductions before items can be added or deducted in the Payroll run. Click on the **'Company'** menu and select **'Alter Payments/Deductions.'**

In CIS companies there are seven set up automatically for you:

- **Labour Costs** – a payment made before Tax and VAT are calculated
- **Material Costs** – a payment made after Tax is calculated but before VAT
- **Labour Costs (No VAT)** – a payment made before Tax is calculated but after VAT
- **Material Costs (No VAT)** – a payment made after Tax and VAT are calculated
- **Retention – Withheld** – a deduction made before Tax and VAT are calculated
- **Retention – Released** – a payment made before Tax and VAT are calculated
- **CITB Training Levy** - a deduction made before Tax and VAT are calculated

If you choose to retain payment using the **Retention – Withheld** deduction the system will keep a running total for you and display it on the Payroll Run screen. This figure will reduce as you pay amounts back using the **Retention – Released** payment.



Retention Details

Outstanding Balance

£0.00

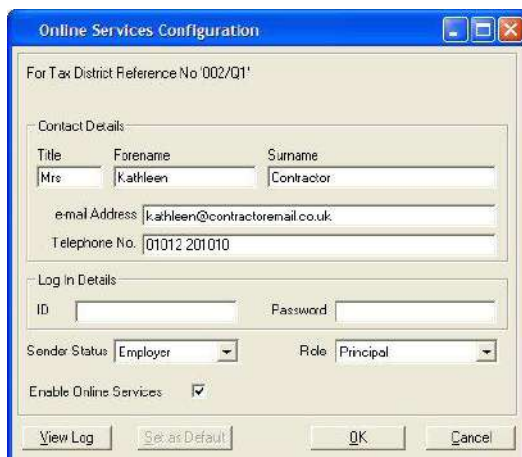
At start of pay period.

If you need to set up other items do this as you would in a PAYE company. If you need more information refer to online Help, Chapter 5 – Payments and Deductions.

## Setting Up Online Services

Online Services allow you to verify your subcontractors with HMRC over the internet as well as submit your month end returns.

1. Firstly, you need to make sure you are registered with HMRC for online services. Even though you may be registered for online submissions of PAYE, you will still need to register for CIS. The website address for online services is [www.hmrc.gov.uk/online/index.htm](http://www.hmrc.gov.uk/online/index.htm). You need to click on **'Construction Industry Scheme'**



Online Services Configuration

For Tax District Reference No '002/Q1'

Contact Details:

Title: Mrs Forename: Kathleen Surname: Contractor

e-mail Address: kathleen@contractoremail.co.uk

Telephone No: 01012 201010

Log In Details:

ID: Password:

Sender Status: Employer Role: Principal

Enable Online Services:

View Log Set as Default OK Cancel

2. When you have received your User ID and password click on the **'File'** menu, go to **'Online Services'** and then select **'Configure'**

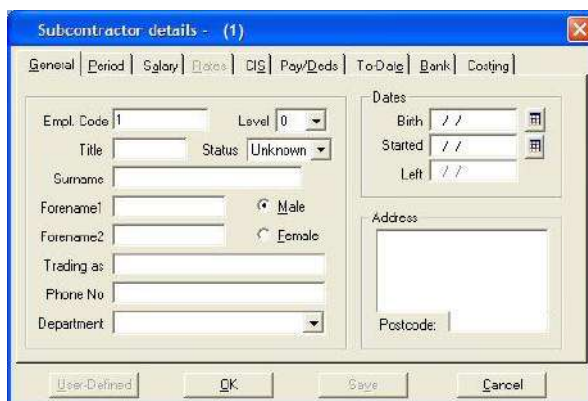
You must complete each of the fields; refer to Chapter 13 – Online Services in the online Help for more details. Alternatively, if you have the **Online Services Configuration** screen open just press the F1 key to open Help at the relevant page.

3. Make sure **Enable Online Services** is ticked. Click **'OK'** when you are finished.

## Adding Subcontractors to the Payroll

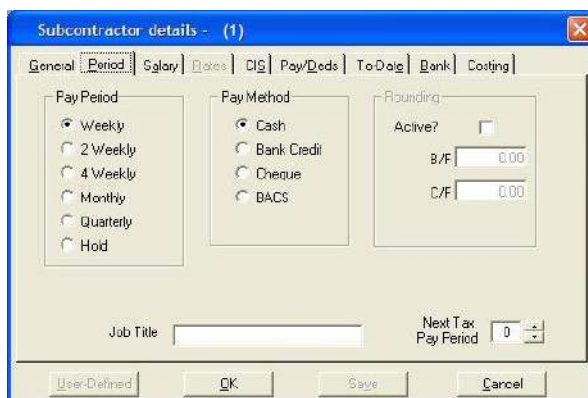
To start entering your Subcontractors onto the system:

1. Click on the **'Employee'** menu and select **'Add New Employee'**. This will open a blank **Subcontractor Details** screen



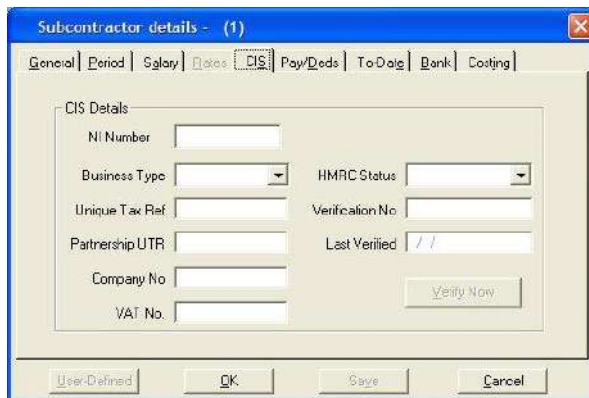
Enter as much information here as you can. The **Trading As** field must be completed in addition to **Forename1** and **Surname**.

2. Now select the **Period Tab**.



Enter in the frequency you will be paying the subcontractor and the **Pay Method**. Make sure the **Next Tax Pay Period** is set to the first week or month you will be paying.

3. Now select the **CIS** tab.



This screen holds the information you need to verify your subcontractor with HMRC.

**NI Number** The subcontractor's National Insurance Number (if they are a Sole Trader or Partnership).

**Business Type** This is a drop down list of the possible business types for subcontractors. The choices are:



**Vat No** Anything entered in this field will trigger the VAT calculations in the system. There is no automatic check on the format because there is no European standard so make sure you enter it in correctly.

**HMRC Status** This is received from HMRC and relates to the rate at which you should deduct tax from the subcontractor. It is a drop down list with the following choices:



**Unmatched** tax will be deducted at 30%

**Matched (Gross)** no tax will be deducted

**Matched (Net)** tax deducted at 20%

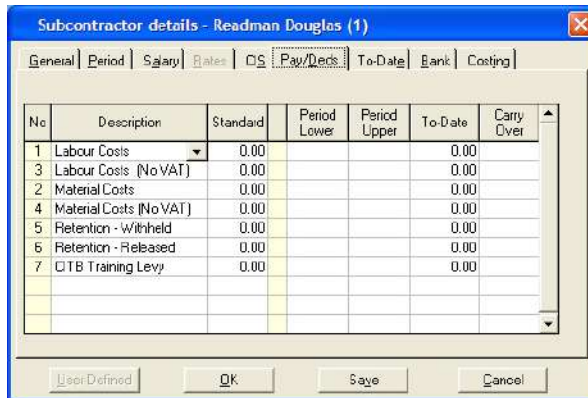
If you already have this information you can enter it manually.

**Verification No** This number is received from HMRC when you verify your subcontractor. If you already have this information, you can enter it manually.

**Verify Now** This is the button to click when you want to verify your subcontractor with HMRC over the internet. This stage is covered later in the guide.



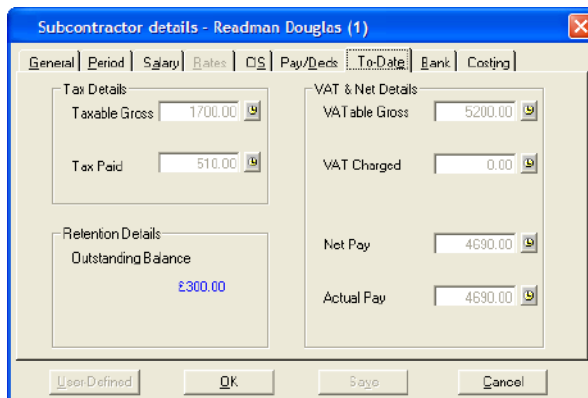
4. Select the **Pay/Deds** tab.



If you have any standard amounts you pay or deduct from this subcontractor, this is where you set them up so they always appear in the payroll run. You don't need to enter a **Standard** if the amount often changes. You will be able to enter amounts in the payroll run screen.

5. Click in an empty box in the description column and then click on the drop down arrow to bring up a list of all the Payments and Deductions you have set up at Company level. You can then select those that you want to use for this subcontractor.

6. Now select the **To-Date** tab.

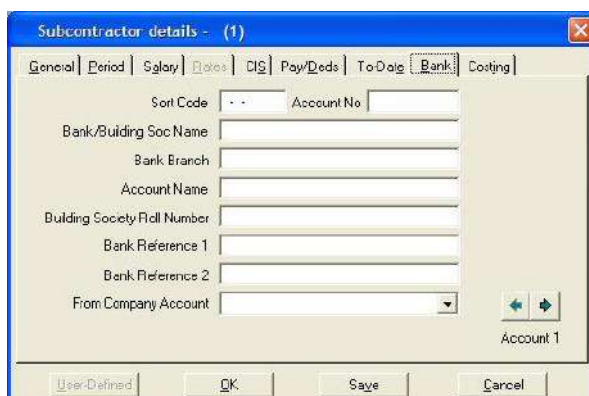


If you have already paid this subcontractor in the current tax year you may wish to enter in amounts paid and tax paid on this tab card. If you haven't paid them in the current tax year or they are new subcontractors, leave this card blank.

If you choose to retain payment using the **Retention - Withheld** deduction the system will keep a running total for you and display

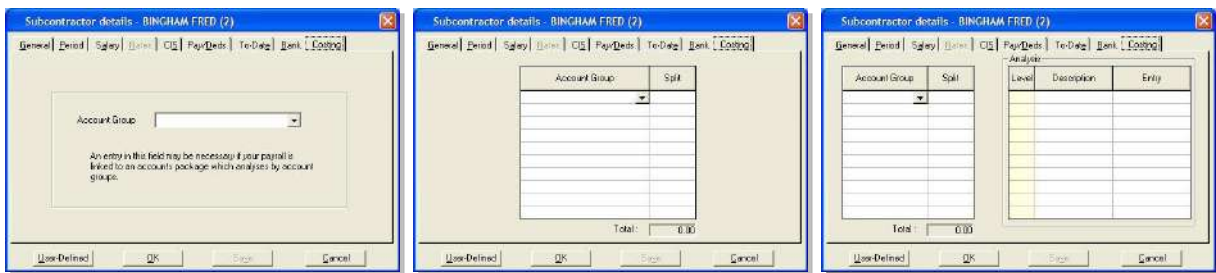
it here.

7. Now select the **Bank** tab.



If you are paying your subcontractor by BACS you need to enter their bank details on this tab card and select which of your company bank accounts the money is to be taken from.

8. Now select the **Costing** tab.



What you see on this tab card will depend on whether you have the Costing module and how you have your Accounts link set up. You may have to select an Account Group or enter in more detailed Analysis level information. Refer to online Help Chapter 17 Accounts & Costing for more information.

9. Now click **OK** to save the Subcontractor's details. You may receive some messages telling you that you have entered information incorrectly or have not entered enough information. If so, go back to the relevant tab card and correct those details before saving.

Repeat steps 10 and 11 for each of the subcontractors you need to add to the system.

## Verifying your Subcontractors

### Overview of Verification

Each subcontractor should be verified with HMRC to check:

- They are registered for the CIS
- At what rate you should deduct tax

At the start of the new CIS in April 2007, HMRC sent each Contractor a list of subcontractors working for them, detailing their tax status and UTR. Subcontractors on this list do not require verification online. You can enter these manually in **Subcontractor Details** as described previously.

Any of your subcontractors not on this list, or any new subcontractors, must be verified online. To do this click on the **Verify Now** button on the **CIS** tab of **Subcontractor Details**.


When you click on the **Verify Now** button the system contacts HMRC and downloads a complete list of all your subcontractors and their current details. The payroll system then checks the details of the subcontractor you are currently editing against those in the list and updates them.

Because the system always downloads a complete list, if you subsequently edit a different **Subcontractor Details** and these differ from those on the download, the system will tell you their details have changed and will ask you if you want to update them. This also works if their details are currently blank.

### Verifying Subcontractors when first creating a CIS company

When you first set up your CIS Company the simplest way to verify all of your subcontractors and make sure they have not changed is to take the following steps:

1. From the **'Employee'** menu choose **'Select Employee'**. Select the first subcontractor you want to verify

2. Select the **CIS** tab card and click on the  button. You will see the message:



3. Click **'Yes'** if you are ready to continue and the system will attempt to connect to the Gateway and verify the subcontractor.

- If the subcontractor is found on HMRC's list, their **HMRC Status, Verification No** and **Last Verified** details will be updated for you. You will be told that the Subcontractor has been

updated successfully.

- If the subcontractor cannot be found by HMRC, their **HMRC Status** will be set to **Unmatched** and **Last Verified** will be left blank. HMRC will still provide a **Verification No** though.

4. Click **'Save'** on the current **Subcontractor Details** and select the next subcontractor by using the arrow icons on the top menu:



This method makes it easy to edit each subcontractor and remain on the CIS tab.

Using the arrows, click through each subcontractor and:

- If their tax details on the downloaded list are different to those you have entered, or left blank, the system will tell you and ask if you want to update them
- If you do not receive a message saying details have changed, it could be because they are not on the downloaded list and therefore not registered with HMRC. We recommend you click on the **Verify Now** button in those subcontractors to contact HMRC again to make sure you get a verification number

Use the above method when first setting up your CIS Company. In the future you will only need to verify new subcontractors you have added to the system. HMRC will always inform you by letter of any changes to your existing subcontractors.

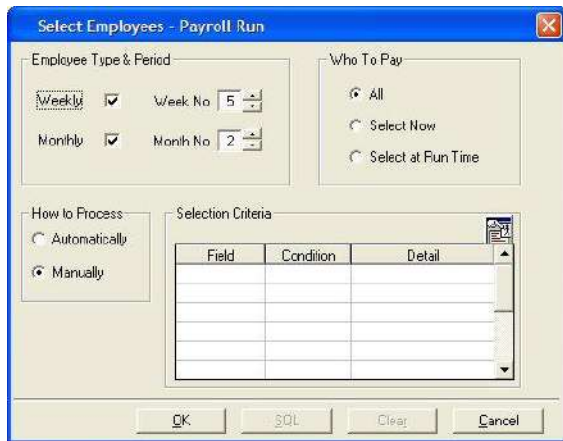
Remember, when you click on **Verify Now**, the system always downloads a complete list of your subcontractors from HMRC. This means that when you verify new subcontractors and then subsequently edit an existing subcontractor whose HMRC tax status has changed, IRIS Payroll Professional will ask if you want to update those

## Paying your Subcontractors

Payrolls for subcontractors are run in the same way as for PAYE companies; Weekly, Two Weekly, Four Weekly or Monthly

### To pay your subcontractors:

- Click on the **Payroll** menu and select **Do/Redo Payroll**



- In the top left of the screen, make sure either **Weekly** or **Monthly** or both are ticked and the correct **Week No** and/or **Month No** is selected
- In the **Who To Pay** section in the top right, either choose **All**, if you want to pay all the subcontractors due to be paid in the period you have selected, or choose **Select Now** if you wish to only pay certain selected subcontractors

For more detailed help with creating a selection of subcontractors for a payroll run, press the F1 key to open the online Help at the appropriate screen

- On the left of the window, you will see the **How to Process** section. You can choose from **Automatically** or **Manually**

**Automatically** - is for a payroll run which does not require any variation to the pay elements entered in **Subcontractor Details**. Using this option the program will process the whole of the payroll without a pause and you will not be able to intervene unless you click the **Pause** button. This is the quickest way to process the payroll.

**Manually** - pauses at each subcontractor and you can make all the changes and alterations you wish. If your payroll is not standard, choose this option to amend pay details as you go.

9. Click 'OK' when you are ready to start the payroll run. If you have chosen to run the payroll **Manually**, you will see this screen:

**Input / Edit Payroll Details**

Employee Code: 1  
**Name: Readman, Douglas**  
 Dept: None

Period Month: 2 Number of Periods 1  
 Pay Salary: 0.00

Retention Details  
 Outstanding Balance: £200.00  
 At start of pay period.

Hours	Rate	£/hr	Factor	Mult. By	To Pay

No	Pay/Ded	Amount	Standard	To-Date	Lower	Upper
1	Labour Costs	0.00	0.00	1000.00		
2	Material Costs	0.00	0.00	1000.00		
3	Labour Costs (No VAT)	0.00	0.00	0.00		
4	Material Costs (No VAT)	0.00	0.00	0.00		
5	Retention - Withheld	0.00	0.00	-200.00		
6	Retention - Released	0.00	0.00	0.00		
7	CITB Training Levy	0.00	0.00	0.00		

Buttons: Previous, Cancel, Preview, Auto, Revert, Skip, Advance, Holiday, Process

Use this screen to enter in Hours, Salary and any Payments/Deductions due. Click into each empty box to see a list of choices or type values in directly. You may see some entries already completed; the system gets this information from **Subcontractor Details**. For more detailed information on entering payroll information press F1 with this screen open to go to the relevant Help topic.

10. To see a calculation of the payroll, click on the 'Preview' button on the right to view this screen:

**Pay Preview: Readman, D. (1)**

EMPLOYEE	NUMBER	DEPARTMENT	N.I. No.	Period
Douglas Readman	1		JB123456A	M 2

Hours	Rate	Amount

PAYMENTS		DEDUCTIONS	
1	Labour Costs	1000.00	5 Retention - Withheld
2	Material Costs	2500.00	100.00

Pay Year-to-date	
Gross (Taxable)	1700.00
Gross (VAT)	5200.00
Tax Deducted	510.00
VAT	0.00
<b>NET PAY</b>	<b>4690.00</b>

Gross Pay	900.00
Tax Deducted	270.00
VAT	0.00
Deductions	-2500.00
<b>NET PAY</b>	<b>3130.00</b>

DATE	EMPLOYER
07-May-09	Contractor

No. of Periods : 1

OK

11. Click **'OK'** to return to the Payroll run screen and then click **Process** to complete that subcontractor and move on to the next.

If you choose to run an Automatic payroll the system will process each subcontractor and you will be unable to check each one or make any changes. You can change a Manual payroll to Automatic at any time by clicking the Auto button on the Payroll Run screen.

For further information on running a payroll refer to your manual or online Help, Chapter 7- Running A Payroll.

## Reporting

There are several reports designed specifically for CIS companies.

### Payroll Summary (CIS Only)

To install this report:

1. On the **Reports** menu click on **'Print Summaries'**
2. Click on **'Summaries'** and highlight **'Payroll Summary (CIS Only)'**
3. Click **'Select'** then **'OK'**

This report shows:

- Employee Code
- Name
- Unique Tax Reference
- Status
- Gross Pay
- Materials
- Tax
- VAT
- Adjustments
- Net

To print the report:

1. On the **Reports** menu click on **'Print Summaries'**
2. If prompted, make sure you select **'Payroll Summary (CIS Only)'** from the list
3. Click **'Print'** to send the report directly to the printer, or **'Preview'** to view it on screen first

### Year To Date Summary (CIS Only)

To install this report:

1. On the **Reports** menu click **'Library Selection'**
2. Click on **'Summaries'** and highlight **'Year to Date Summary (CIS Only)'**
3. Click **'Select'** then **'OK'**



This report shows:

- Code
- Name
- Unique Tax Reference
- Employment Status
- Labour
- Materials
- Gross Taxable
- Tax
- VAT
- Retention Withheld
- CITB

To print this report:

1. On the **Reports** menu and click **'Year to Date Summary'**
2. If prompted, make sure you select **Year to Date Summary (CIS Only)** from the list
3. Click **'Print'** to send the report directly to the printer, or **'Preview'** to view it on screen first

### Remittance (CIS Only)

To install this report:

1. On the **Reports** menu click **'Library Selection'**
2. Click **'Payslips'** and highlight **'Remittance (CIS Only)'**
3. Click **'Select'** then **'OK'**

This report shows, among other details:

- Company Name and Employers Tax Reference
- End date of the tax month to which the statement applies or the date of payment where the statement relates to a single payment
- Subcontractors name and Unique Taxpayer Reference (UTR) and, if a tax deduction at the higher rate has been made, the personal verification number
- Gross amount of payments (Less VAT) made to the subcontractor
- Cost of any materials that has reduced the amount against which the deduction has been applied
- Amount of the deduction

To print this report:

1. On the **'Reports'** menu click **'Print Remittances'**
2. If prompted, make sure you select **'Remittance (CIS Only)'** from the list
3. Click **'Print'** to send the report directly to the printer, or **'Preview'** to view it on screen first

### Invoice (CIS Only)

To install this report:

1. On the **'Reports'** menu click **'Library Selection'**
2. Click **'Payslips'** and highlight **'Invoice (CIS Only)'**
3. Click **'Select'** then **'OK'**

To print the report:

1. On the **'Reports'** menu click **'Print Remittances'**
2. If prompted, make sure you select **Invoice (CIS Only)** from the list
3. Click **'Print'** to send the report directly to the printer, or **'Preview'** to view it on screen first

### Plain Paper Payslip (CIS Only)

To install this report:

1. On the **'Reports'** menu click **'Library Selection'**
2. Click **'Payslips'** and highlight **'Plain Paper Payslip (CIS Only)'**
3. Click **'Select'** then **'OK'**

To print this report:

1. On the **'Reports'** menu click **'Print Remittances'**
2. If prompted, make sure you select **Plain Paper Payslip (CIS Only)** from the list
3. Click **'Print'** to send the report directly to the printer, or **'Preview'** to view it on screen first

### Quick Report Writer

As with PAYE companies, you can use the Quick Report Writer to create your own reports using the various CIS fields.

## Month End Online Submission

### Month End Summary & Month End Processing

In a CIS Company you need to make your returns to HMRC online every month. To do this:

Install the **Month End Summary (CIS Only)** report:

1. On the '**Reports**' menu click '**Library Selection**'
2. Click on **Summaries** and highlight **Month End Summary (CIS Only)**
3. Click on the **Select** button and then click **OK**

This report shows:

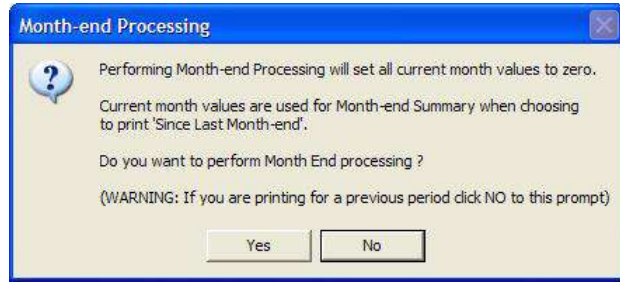
- Employee Code
- Employee Name
- Unique Tax Reference
- Employment Status
- Gross Pay
- Materials
- Tax
- VAT
- Net

To print the report:

1. On the **Reports** menu click '**Month End Summary**'
2. If prompted, make sure you select '**Month End Summary (CIS Only)**' from the list
3. Select the current Month and click '**OK**'
4. Click '**Print**' to send the report directly to the printer, or '**Preview**' to view it on screen first

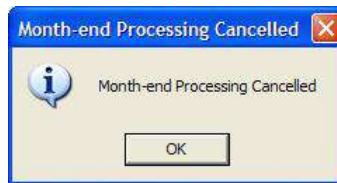
You can print directly from the Print Preview screen by clicking on the printer icon at the top of the window.

5. After your report is printed, or after you click **'OK'** on the Preview window, you will see this message:

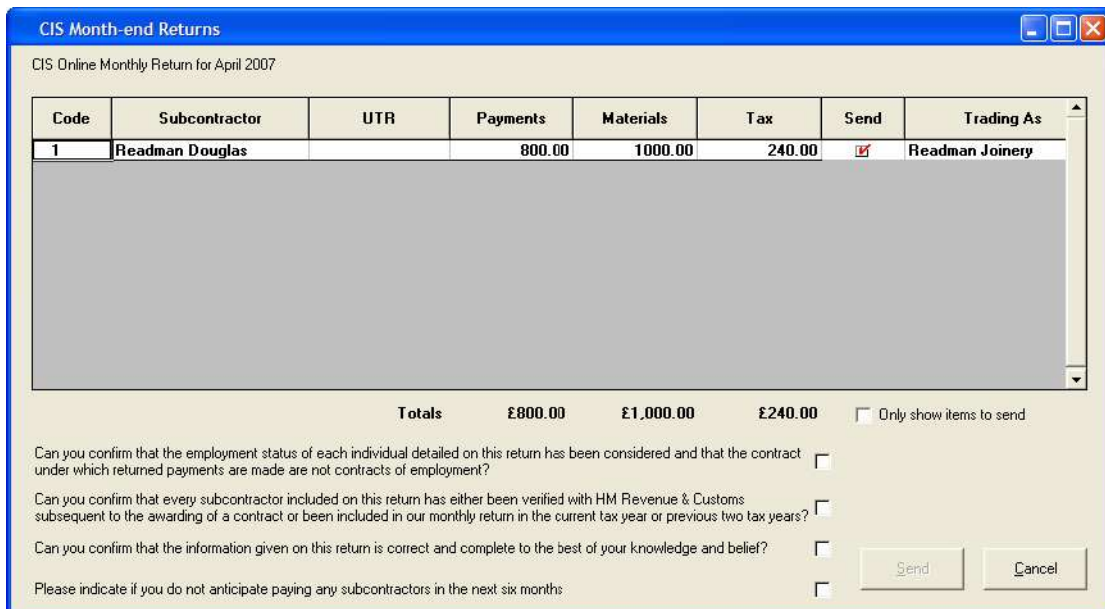


We recommend you are completely certain that the details are correct before responding 'Yes' to Month-end processing. You can only make one return per month per Unique Tax Reference. You can print your Month End Summary report as many times as you like for the current period if you click No each time this message

6. Click **'Yes'** if you have completely finished the pay period. Click **'No'** if you still have adjustments to make and you will see this message:



Selecting **'Yes'** will bring up the **CIS Online Month-end Return** window.



There are three confirmations you have to tick before you can click the **Send** button:

- Can you confirm that the employment status of each individual detailed on this return has been considered and that the contract under which returned payments are made are not contracts of employment?
- Can you confirm that every subcontractor included on this return has either been verified with HM Revenue & Customs subsequent to the awarding of a contract or been included in our monthly return in the current tax year or previous two tax years?
- Can you confirm that the information given on this return is correct and complete to the best of your knowledge and belief?

There is also a fourth statement:

- Please indicate if you do not anticipate paying any subcontractors in the next six months

Tick this fourth box if you will not be paying any subcontractors in the next six months.

**If you do not tick this fourth box you MUST send nil returns for each month that you do not pay any subcontractors**

7. Click **'Send'** to make your online return. IRIS Payroll Professional will connect to HMRC's gateway and send the information.

You will receive detailed warnings if there are any problems. Once you have made a successful return you will not be able to make the return again for that month.

## Software available from IRIS

### **IRIS Payroll Basics**

Free, RTI compliant payroll software for companies with fewer than 10 employees

### **IRIS Payroll Business**

Intelligent, easy to use payroll software for smaller businesses

### **IRIS Payroll Professional**

Flexible payroll software for medium sized businesses

### **IRIS Bureau Payroll**

Intelligent management for multiple payrolls

### **IRIS OpenPayroll**

Cloud-based UK payroll software – accessible from anywhere on PC, Mac or tablet

### **IRIS P11D**

The easy way to complete employee expenses and benefits returns

### **IRIS HR Manager**

The easy way to keep employee data up-to-date

### **IRIS OpenPayslips**

A secure web based solution that allows your employees to access, and download their e-payslips via an online portal

## Stationery order line

0844 815 5656

## HMRC online service helpdesk

Tel: 0300 200 3600

Fax: 0844 366 7828

Email: [helpdesk@ir-e-file.gov.uk](mailto:helpdesk@ir-e-file.gov.uk)

## HMRC employer helpline

Tel: 0300 200 3200

## HMRC employer helpline (for new business)

Tel: 0300 200 3211

## Support

Tel: 0844 815 5671

Fax: 0844 815 5665

Email: [payrollpro@iris.co.uk](mailto:payrollpro@iris.co.uk)