



HMRC 'monitoring' CIS as it raises £180m of penalties

22 January, 2009 | By Alex Hawkes

As much as £180 million of penalties have been raised through the construction industry tax scheme, tax advisers have said, while the taxman has admitted it is 'closely monitoring the system' given the downturn.

Minutes released by HM Revenue & Customs last week show that the scheme, introduced in 2007, has triggered the huge number of penalties, with three quarters of contractors having received at least one penalty.

Dave Hartnett, the permanent secretary for tax at HMRC, told Construction News this week that the scheme would not become more lenient during the downturn, despite government's broader attempts to help troubled businesses.

Ernst & Young's CIS team leader Alistair Gibson said that the figures were a clear indication that businesses must continue to make tax compliance a key priority.

He said: "On top of increasingly challenging trading conditions the construction industry has had to get to grips with a complex set of new tax regulations which, for most in the sector, have added to their administrative and financial burden.

"Compliance remains a top priority for HMRC and, with a large number of businesses still incurring penalties by failing to properly comply with the new CIS legislation, it needs to remain a focus for the construction sector.

"I was surprised by just how much revenue has been raised from CIS penalties. A staggering £90m has been generated so far with an additional £67m still 'in charge', or due payment. This is a phenomenal burden on an industry that is experiencing significant cash flow problems because of the current economic environment."

The Revenue's minutes also reveal that 30 per cent of contractors are initially failing their annual Tax Treatment Qualification Test (TTQT).

Mr Gibson said: "Many view HMRC's powers under TTQT as 'an unreasonable force', however these powers are central to the revenue's armoury in ensuring that the industry improves its general level of compliance with the tax legislation. Unfortunately - based on the statistics - it seems that many contractors have either been unable or unwilling to comply in every area that HMRC have reviewed - or that TTQT is not operating as it should.

"Contractors need to ensure that they focus their employees' attention on the need for excellent compliance and ensure that everything from systems and reporting through to holiday records are geared towards achieving this."

LINK: www.cnplus.co.uk/news/hmrc-monitoring-cis-as-it-raises-£180m-of-penalties/1972654.article

**For a secure self-employment solution call EEBS on 0845 2573327
or go to www.eebs.co.uk**