

United Kingdom Consults on Construction Industry Scheme Draft Regulations

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Report from our correspondent Richard Curtis, Tax Author

The United Kingdom's tax authority, His Majesty's Revenue and Customs (HMRC), has announced a [consultation](#) on draft regulations relating to the construction industry scheme (CIS). The CIS provides that income tax must be deducted from some payments made to building subcontractors.

The proposed [The Income Tax \(Construction Industry Scheme\) \(Amendment\) Regulations 2024](#) will:

- ensure that minor VAT compliance failures will not result in the refusal or removal of a subcontractor's gross payment status (the right to be paid without a tax deduction); and
- remove most payments made by landlords to tenants from the scope of the CIS.

HMRC is now seeking technical feedback on the draft regulations to ensure that they operate as planned and to identify areas that may need further clarification in accompanying guidance. The consultation closes on 9 January 2024 and comments can be sent by email to cisconsultations@hmrc.gov.uk.

As previously reported (see [Autumn Statement 2023 in Depth: Chancellor Introduces Permanent Full Expensing, Other Tax Measures for Businesses \(27 November 2023\)](#) and [United Kingdom Presents Autumn Finance Bill \(30 November 2023\)](#)), the 2023 Autumn Finance Bill includes proposals to strengthen the tests for gross payment status in the CIS to include compliance with VAT obligations. These new regulations will ensure that minor compliance failures do not fall within the scope of the new legislation.

The final regulations are expected to be presented in early 2024 and it is expected that they will come into force on 6 April 2024.