

Schedule of Professional Services: CIS Subcontractors

The purpose of this schedule to our engagement letter is to set out the basis on which we are to assist you in operating the Construction Industry Scheme (CIS) for your subcontractors.

1 Your responsibilities

1.1.

You will be responsible for carrying out verification procedures with HM Revenue & Customs (HMRC) for the subcontractors you use. You will provide us with the verification references given to you by HMRC. You will confirm for each subcontractor whether HMRC have advised that payment should be made gross, after standard rate deduction, or after higher rate deduction.

1.2.

It is important to note that verification procedures must be carried out before any payment can be made to the subcontractor. They can however carry out work prior to verification.

1.3.

Where you have already included a subcontractor on a monthly return in the last two years, separate verification will not be required. In these circumstances, you will provide us with the verification reference previously obtained, along with the deduction rate as advised by HMRC.

1.4.

If you receive a notice of change from HMRC with regard to a change in deduction status for one of your subcontractors, you undertake to forward it to us immediately. We will not be responsible for failure to effect a change where we do not receive the notice in time.

1.5.

In order for us to provide you with details of the net payments and deductions amounts for each subcontractor you agree to provide us with the following by the day we have agreed of each month:

(a) the amount of gross payment (excluding VAT) due to each subcontractor.

(b) the amount of own materials cost included within the gross payment. In providing this to us you confirm that you have either obtained direct confirmation from the subcontractor of the amount or you consider the amount not to be excessive.

1.6.

You will be responsible for preparing the written statements of deduction to support each payment and providing them to each of your subcontractors by the 19th of the month following payment.

1.7. You will maintain the record of payments as required by HMRC.

1.8. You will be responsible for confirming the self-employment status of all your subcontractors. We will ask you for written confirmation of this prior to signing/confirming the

monthly return, including the status declaration, on your behalf. We can provide advice on a case-by-case basis, should you so require.

1.9.

You agree to forward to us any communications related to CIS you receive from HMRC in time for us to deal with them as necessary within any time limits. Although HMRC have the authority to deal with us directly, it is still possible for them to contact you without us being aware.

2 Our responsibilities

2.1.

We will carry out verification procedures with HMRC for any new subcontractors you use. To enable us to do this you will provide us with the following once a contract has been signed or a tender agreed:

- where the subcontractor is a sole trader you will provide their full name, unique tax reference (UTR) and national insurance number.
- where the subcontractor is a partnership, you will provide the firm's name and unique tax reference, as well as the individual partner's name, unique tax reference (UTR), and national insurance number. If the partner is a company, you will provide the company's unique tax reference (UTR) and registration number.
- where the subcontractor is a limited company you will provide the company's name, unique tax reference (UTR) and registration number.

2.2.

It is important to note that verification procedures must be carried out before any payment can be made to the subcontractor. We will not be responsible for delays in paying subcontractors where we have not been provided with the information in time for us to be able to carry out the verification. Subcontractors can carry out work prior to verification.

2.3.

We will advise you of the net payment and deduction amounts for each subcontractor based on the information given to us.

2.4.

On the basis of the above calculations, we will complete the HMRC monthly returns on your behalf (electronically/by internet/using paper returns) The monthly returns are due by the 19th of each month, even if no subcontractors have been paid since the last return. Failure to meet this deadline will result in financial penalties being levied.

2.5.

We will send you a copy of the monthly return for signing, which you will return to us for submitting, either electronically/by internet/by post. We will provide you with a summary of the declared information and it is your responsibility to inform us without delay if you believe an error has been made.

2.6.

We will prepare written statements of deduction to support each payment, which we will send to you for you to provide to each of your subcontractors by the 19th of the month following payment.

2.7.

We will maintain the record of payments as required by HMRC.

2.8.

We will calculate and advise you of the amount of tax deducted from your subcontractors that needs to be paid over to HMRC each month. Note that payments need to reach HMRC by the 19th of the month following payment for postal payments and by the 22nd where electronic payment methods are used.

3 Limitation of liability

We have discussed with you the extent of our liability to you in respect of the professional services described within this engagement letter (the professional services). Having considered both your circumstances and our own, we have reached a mutual agreement that £1 million represents a fair maximum limit to our liability.

In reaching this agreement it is also agreed that:

- In the event of any claim for loss or damage arising from the professional services, you have agreed that the sum of £1 million represents the maximum total liability to you in respect of the firm, its principles, and staff. This maximum total liability applies to any and all claims made on any basis and therefore includes any claims in respect of breaches of contract, tort (including negligence) or otherwise in respect of the professional services and shall also include interest; and
- We confirm that the limit in respect of our total aggregate liability will not apply to any acts, omissions or representations that are in any way criminal, dishonest or fraudulent on the part of the firm, its principles, or employees.

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