

### CHAPTER 9

#### Construction Industry Scheme

**Chapter:** 9.0  
**Page:** 1 of 2  
**Date:** April 2013

## 9.0 CONSTRUCTION INDUSTRY SCHEME

### 9.1 Introduction

The Construction Industry Scheme (CIS) sets out the rules as to how payments to subcontractors for construction work must be handled by contractors in the construction industry.

The scheme applies mainly to contractors and subcontractors in mainstream construction work, however, businesses or organisations whose core activity isn't construction but which have a high annual spend, i.e. more than £1 million per year, on construction may also count as contractors and fall under the scheme. Local authorities such as North Yorkshire County Council are deemed to be contractors.

The guidance on defining Contractors and when CIS applies can be found in the HMRC CIS Guide for Contractors and Subcontractors (CIS340).

### 9.2 Schools and CIS

Changes to the regulations governing the Construction Industry Scheme mean that schools have been excluded from the scheme since 1<sup>st</sup> April 2007 providing that the works are procured and paid for through the school's delegated budget.

Payments for construction work by the head teacher or governing body of a maintained school on behalf of the local education authority are not covered by CIS. Maintained schools do not become deemed contractors no matter how much they spend on construction related activity.

Voluntary aided schools are not treated as contractors either.

Invoices for works that have been organised by the school and not via Jacobs UK should be paid by the school. There is no longer any requirement for schools to send these invoices to County Hall for payment.

For works organised by Jacobs UK invoices should be sent direct to Jacobs for payment.

### 9.3 Capital Works

Where capital works are organised by the school (even if there is a contribution from Central Funds) the school will be exempt from the scheme.

However, if the works are being carried out using LA monies with a contribution coming from the school, then the works will still fall within the scheme and the normal CIS checks and administration will apply.

### 9.4 Insurance

There is still a requirement to obtain proof of insurance. Schools must ensure that consultants hold a Professional Indemnity Insurance policy with a minimum limit of indemnity of £250,000 for projects up to £125,000 in value. Beyond this project value the level of the limit of indemnity for Professional Indemnity Insurance should be at least double the project value.

Both consultants and contractors must also hold Public Liability Insurance policies with a minimum limit of indemnity of £5 million to cover injury to third parties or damage to third party property due to their negligence.

If either the consultant or contractor has employees then they will also need to hold an Employers Liability policy with a minimum limit of indemnity of £10 million.

<b>CHAPTER 9</b> <b>Construction Industry Scheme</b>	<b>Chapter:</b> 9.0 <b>Page:</b> 2 of 2 <b>Date:</b> April 2013
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**9.5 Further Information**

If you require further guidance on insurance please contact the Insurance Section on 01609 532466.

If you have any general queries regarding the implementation of the Construction Industry Scheme please contact Denyse Stringer on 01609 532683.