

**1982 No. 1391****INCOME TAX****The Income Tax (Sub-contractors in the Construction Industry) Regulations 1982**

*Made* - - - - - 28th September 1982

*Laid before the House of Commons* 12th October 1982

*Coming into Operation* 1st December 1982

The Commissioners of Inland Revenue, in exercise of the powers conferred on them by Sections 69, 70, 70A and Schedule 12 of the Finance (No. 2) Act 1975(a), hereby make the following Regulations:—

*Citation and commencement*

**1.** These Regulations may be cited as the Income Tax (Sub-contractors in the Construction Industry) Regulations 1982 and shall come into operation on 1st December 1982.

*Interpretation*

**2.** In these Regulations:—

“the Principal Act” means the Finance (No. 2) Act 1975;

“the principal section” means Section 69 of the Principal Act;

“the Principal Regulations” means the Income Tax (Sub-contractors in the Construction Industry) Regulations 1975(b);

“week” means any period of seven consecutive days commencing with a Sunday;

the following expressions shall have the same meaning as in the Principal Regulations:—

“contract payment”

“contractor”

“sub-contractor”

“sub-contractor’s tax certificate”

“user”

“voucher”.

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(a) 1975 c. 45; sections 69, 70 and Schedule 12 were amended by section 43 and Schedule 8 of the Finance Act 1980 (c. 48) and section 70 and Schedule 12 were further amended by section 47 and Schedule 8 of the Finance Act 1982 (c. 39) which also inserted section 70A.

(b) S.I. 1975/1960, amended by S.I. 1980/1135.

*Amendments of the Principal Regulations*

3. In Regulation 2(1) of the Principal Regulations there shall be inserted after the definition of “the principal section”–

“‘the weekly limit’ has the meaning given to it in Regulation 23 of the Income Tax (Sub-contractors in the Construction Industry) Regulations 1982”.

4. For the heading of Part II of the Principal Regulations there shall be substituted:—

“PAYMENTS TO SUB-CONTRACTORS TO WHICH THE PRINCIPAL SECTION APPLIES”

and the Table of Arrangement of the Principal Regulations shall be amended accordingly.

5. After the heading of Part II of the Principal Regulations there shall be inserted:—

*“Interpretation of Part II*

4A. In this Part of these Regulations, the words “payment to which the principal section applies” shall mean, in relation to a user of a tax certificate in the form numbered 714S in the Schedule to these Regulations, any contract payment to the extent that that user is not excepted in respect of that payment from the provisions of the principal section by reason of the limit prescribed in Regulation 23 of the Income Tax (Sub-contractors in the Construction Industry) Regulations 1982, and related expressions are to be construed accordingly.”

6. After Regulation 5 of the Principal Regulations there shall be inserted:—

“5A. On the first occasion in any year on which a contractor makes to a sub-contractor who is a user of a tax certificate in the form numbered 714S in the Schedule to these Regulations a payment to which the principal section applies the contractor shall record in a form prescribed or authorised by the Commissioners of Inland Revenue that he has made such a payment to the sub-contractor.”

7. In Regulation 10(1) of the Principal Regulations there shall be substituted for the words “and the amounts in respect of which deduction certificates have been given to the sub-contractor under Regulation 6” the words “the amounts in respect of which deduction certificates have been given to the sub-contractor under Regulation 6, and whether the sub-contractor has, at any time in the year, been the user of a tax certificate in the form numbered 714S in the Schedule to these Regulations”.

8. In Regulation 11(2) of the Principal Regulations there shall be inserted after the words “tax certificate” the words “other than a certificate in the form numbered 714S in the Schedule to these Regulations”.

**9.** In Regulation 12(1) of the Principal Regulations for the words from “and all the provisions” to “assessment to income tax” there shall be substituted the words “and such assessment shall be subject to the provisions of Parts IV, V and VI of the Taxes Management Act 1970(a) as if it were an assessment to income tax and as if the amount assessed were income tax charged on the contractor and those Parts of that Act shall apply accordingly with any necessary modifications”.

**10.** In Regulation 15(1) of the Principal Regulations there shall be inserted after “714I,” “714S,”.

**11.** In Regulation 15(2) of the Principal Regulations there shall be inserted after the words “a partner in a firm” the words “or a user of a certificate in the form numbered 714S in the Schedule to these Regulations,”.

**12.** After Regulation 15(2) of the Principal Regulations there shall be inserted:—

“(2A) Where a certificate is issued to an individual to whom Section 70A of the Finance (No. 2) Act 1975 applies, it shall be in the form numbered 714S in the Schedule to these Regulations, shall refer to the special conditions under which it is issued and shall show his name, national insurance number, usual signature and full face photograph, being a true likeness of him, its date of expiry and the distinctive number assigned to it by the Inspector who issued it; where the individual so wishes the certificate shall show one business name under which his business is carried on.”

**13.** In Regulation 16(1) of the Principal Regulations after “(2)” there shall be inserted “, (2A)”.

**14.** In Regulation 20(1) of the Principal Regulations—

(1) there shall be added after the number “715” “or 715S”;

(2) at the end there shall be added:—

“The voucher in the form numbered 715S shall also show the weekly limit prescribed by Regulation 23 of the Income Tax (Sub-contractors in the Construction Industry) Regulations 1982. If it appears to the Inspector that the user of a 714S sub-contractor’s tax certificate has used vouchers previously issued to him to obtain contract payments in excess of the weekly limit without the deduction required by the principal section, the Inspector may refuse to issue any further vouchers to that user until such time as the amount produced by dividing the sum of all contract payments (reduced by any sums representing the direct cost to any person of materials used or to be used in carrying out the construction operations to which the relevant contracts relate included in such payments) insofar as made without the deduction required by the principal section since the date of such previous issue of vouchers by the number of weeks which have elapsed since such date falls below the weekly limit.”

**15.** For Regulation 21(1) of the Principal Regulations there shall be substituted:—

“(1) On making a contract payment to a sub-contractor using a sub-contractor’s tax certificate, the contractor shall unless either:—

- (i) the conditions contained in Regulation 22 are satisfied; or
- (ii) where he has previously satisfied himself under sub-paragraph (a) or (b) below, he has no reason to doubt that the certificate is still valid;

ensure that the sub-contractor’s tax certificate is produced to him by a person in accordance with the provisions of paragraph (2) of this Regulation and he shall satisfy himself by inspection of the certificate that:—

- (a) where it is in one of the forms specified in paragraphs (2), (2A), (3) or (4) of Regulation 15, that person is the user of it; or
- (b) where it is in one of the forms specified in paragraph (5) or (6) of Regulation 15, that person is authorised to produce it on behalf of the company which is the user of that certificate;

and if the requirements of this paragraph are not complied with the principal section shall apply to any contract payments made as though the sub-contractor were not excepted from it.”

**16.** In Regulation 21(2) of the Principal Regulations “for sub-paragraph (1)(a)” there shall be substituted “sub-paragraph 1(a) and (b)”.

**17.** In Regulation 22(1) of the Principal Regulations for “sub-paragraph (1)(c)” there shall be substituted “sub-paragraph (1)(i)”.

**18.** In Regulation 23(1) of the Principal Regulations after “give to the contractor a voucher” there shall be inserted “in the form numbered 715 in the Schedule to these Regulations”.

**19.** After Regulation 23(1) of the Principal Regulations there shall be inserted:—

“(1A) A user of a sub-contractor’s tax certificate issued in the form specified in paragraph 2(A) of Regulation 15 for every contract payment made to him to the extent that it does not exceed the weekly limit prescribed by Regulation 23 of the Income Tax (Sub-contractors in the Construction Industry) Regulations 1982, shall before receiving any such payment give to the contractor a voucher in the form numbered 715S in the Schedule to these Regulations completed and signed by him in accordance with paragraph (2) of this Regulation and a contractor shall not make such a payment unless he obtains such a voucher at the time of making the payment and if the user of such a sub-contractor’s tax certificate fails to give such a voucher the principal section shall apply in relation to any such payment as if he were not excepted from it”.

**20.** In Regulation 23(2) of the Principal Regulations there shall be inserted after the words "amount of the payment" the words "together with, in the case of a voucher in the form numbered 715S in the Schedule to these Regulations, such other details relating to the payment as are therein required".

**21.** In Regulation 24 of the Principal Regulations there shall be inserted after the words "in that period" the words "in relation to which they were excepted from the principal section".

**22.** The forms in Schedule 1 to these Regulations shall be added to the Schedule to the Principal Regulations.

*Payments to sub-contractors using sub-contractor's tax certificate 714S*

**23.** A user of a sub-contractor's tax certificate in the form numbered 714S as specified in Regulation 15 of the Principal Regulations shall not be excepted from the provisions of the principal section to the extent that the amount of a contract payment, or the aggregate amount of that payment and any other such payment or payments made in one week, whether from the same or any other contractor or contractors, exceeds the weekly limit, being £150 in any week.

*Guarantee*

**24.** Any guarantee such as is referred to in paragraph 2(1)(b) of Part I of Schedule 12 to the Principal Act shall be in such form and for such amount or amounts as are prescribed in Schedule 2 to these Regulations, and the guarantor shall be a bank carrying on a bona fide banking business in the United Kingdom.

28th September 1982.

*J. M. Green,*  
*A. J. G. Isaac,*  
Two of the Commissioners of Inland Revenue

SCHEDULE 1


Form 714S

FACE

<p>[Space for Photograph]</p>	<p><b>SUB-CONTRACTOR'S SPECIAL TAX CERTIFICATE</b></p> <p>FOR USE ONLY WITH AND SUBJECT TO THE LIMIT SHOWN ON SPECIAL VOUCHERS FORMS 715S</p>	<p>[Space for Inland Revenue Crest]</p>
<p>Certificate no: [Space for distinctive number of certificate]</p>		<p>Expires end of: [Space for date of expiry of certificate]</p>
<p>[Space for name and national insurance number of user and where appropriate the words "trading as" (abbreviated where necessary to "T/A") and one business name.]</p>		
<p>Authorised User</p>		<p>714S</p>

REVERSE

<p><b>INLAND REVENUE PROPERTY</b></p>
<p>Signature of Authorised User [Space for signature]</p>
<p>This certificate may be used only by the authorised user in conjunction with sub-contractor's vouchers (715S) issued to him. It must be surrendered on expiry or on demand by the Inland Revenue. If found please hand in at any Police Station or Income Tax Office.</p>
<p><b>ANY PERSON INVOLVED IN THE MISUSE OF THIS CERTIFICATE IS LIABLE TO PROSECUTION</b></p>

 <p><b>Sub-Contractor's Special Voucher</b> <i>For conditions see back</i></p> <p><i>For official use</i></p>	£ [Space for limit] limit
	I [space for the name and National Insurance number of the user]
of [business address]	
holder of special certificate no: _____	hereby certify that I have produced that
special certificate to _____	_____ and
complete this voucher no: [Space for distinctive number]	
on this day (in figures)	Pounds Pence
Day Month Year	in respect of a gross payment of (in figures) less cost of materials
	Sub-total
	amount paid in full on this voucher (maximum £ )
	balance paid under deduction of tax
Signature 715S	

REVERSE

**INLAND REVENUE PROPERTY**

**CONDITIONS**

No one other than the authorised user may use this form; he may use it only while he is the authorised user of a valid sub-contractor's special tax certificate 714S. The authorised user is responsible for the safe custody of this form which must be surrendered on demand to the Inland Revenue.

**ANY PERSON INVOLVED IN THE MISUSE OF THIS FORM IS LIABLE TO  
PROSECUTION**

## SCHEDULE 2

The form of guarantee prescribed by this Schedule shall be one of the following as appropriate.

*Guarantee (in English form)*

*THIS GUARANTEE* is made the                      day of

*BETWEEN*                      [a Bank]

whose registered office is situated at

(hereinafter called "the Guarantor") of the first part [the Sub-contractor] whose private address is

(hereinafter called "the Applicant") of the second part and THE COMMISSIONERS OF INLAND REVENUE (on behalf of Her Majesty the Queen) of Somerset House Strand London WC2R 1LB (hereinafter called "the Commissioners" which expression shall include the Commissioners for the time being and their successors in office) of the third part

**WHEREAS**

A. The Applicant has made application to the Commissioners for a certificate entitling him under Section 70A Finance (No. 2) Act 1975 to limited exception from deductions required by Section 69 of that Act.

B. The Commissioners have agreed to issue such a certificate provided that in connection with the Applicant's taxation obligations for the period of validity for which the said certificate is issued a Guarantee is executed in a form prescribed by the Commissioners before such a certificate is issued.

**NOW THIS DEED WITNESSETH** as follows:—

1. The Applicant empowers the Commissioners to disclose to the Guarantor any information about his taxation affairs which may be relevant to the making or operation of this Guarantee.
2. The Applicant undertakes to comply with all obligations imposed on him by the Taxes Acts (within the meaning of Section 118 Taxes Management Act 1970) in respect of all years of assessment within any part of which the said certificate is, at the time of issue, expressed to be valid.
3. The Applicant undertakes to notify both the Guarantor and the Commissioners of any change in his private or business address.
4. If in the opinion of the Commissioners the Applicant fails to carry out the undertakings referred to in paragraphs 2 and 3 hereof, and in particular if in their opinion he has made default for more than 30 days in the payment of any tax in respect of the profits arising from his business as a self-employed sub-contractor in the Construction Industry for any of the years of assessment referred to in paragraph 2 hereof the Commissioners may notify the Guarantor in writing, giving details of the failure or default and setting out a statement of sums which according to the evidence at their disposal have been paid without the deduction referred to in Section 69 Finance (No. 2) Act 1975 by virtue of the limited exception to the said deduction given by the said certificate, and demanding payment of the amount which would otherwise have been deducted from those payments under the said Section 69, or such lesser amount as may seem to them appropriate provided that no such notice shall be given more than three years from the date on which the said certificate is expressed to expire.



5. The Guarantor hereby covenants that on receipt of any notice from the Commissioners under paragraph 4 hereof the Guarantor will pay the sum demanded to the Commissioners at the expiration of 7 days after such demand, provided always that the total liability of the Guarantor in respect of all such payments as demanded in respect of this Guarantee shall not exceed £2,500 for each year of the period of validity for which the said certificate is issued.
6. Any sums paid under this Guarantee shall be treated by the Commissioners for all purposes as payments on account of the taxation liabilities of the Applicant; provided that any sums repayable out of such payments shall be paid, without further authorisation, to the Guarantor, and any such repayments shall reduce the amount paid under this Guarantee.
7. If at any time before the expiration of the period of three years following the date on which the said certificate is expressed to expire it appears to the Commissioners that there are no sums payable or likely to become payable under the Guarantee the Commissioners may inform the Guarantor and the Applicant accordingly and the Guarantor shall thereupon be released from his obligations under this Guarantee.
8. Although as between the Guarantor and the Applicant the Guarantor is only surety or Guarantor for the Applicant yet as between the Guarantor and the Commissioners the Guarantor shall be considered as principal debtor for all the money hereby secured so that the liability of the Guarantor under this Guarantee shall not be impaired or discharged by reason of any time or other indulgence granted by the Commissioners or by reason of any arrangement entered into or composition accepted by the Commissioners modifying (by operation of law or otherwise) their rights and remedies in respect of the said tax or taxes or by any other act, omission or thing whatsoever whereby the Guarantor as surety or Guarantor only would have been so released or the liability of the Guarantor impaired.
9. The costs of engrossing the Guarantee and any duplicate thereof and Stamp Duty thereon shall be paid by the Applicant.

*IN WITNESS* whereof

*Guarantee (in Scottish form)*

GUARANTEE

between

[a Bank], whose registered office is situated at

(hereinafter called "the Guarantor")

[the Sub-contractor] residing at

(hereinafter called "the Applicant") and

THE COMMISSIONERS OF INLAND REVENUE (on behalf of Her Majesty the Queen) of Somerset House Strand London WC2R 1LB (hereinafter called "the Commissioners" which expression shall include the Commissioners for the time being and their successors in office).

WHEREAS the Applicant has made application to the Commissioners for a certificate entitling him under Section 70A Finance (No. 2) Act 1975 to limited exception from deductions required by Section 69 of that Act AND WHEREAS the Commissioners have agreed to issue such a certificate provided that in connection with the Applicant's taxation obligations for the period of validity for which the said certificate is issued a Guarantee is executed in a form prescribed by the Commissioners before such a certificate is issued THEREFORE IT IS AGREED between the parties hereto as follows:—

1. The Applicant empowers the Commissioners to disclose to the Guarantor any information about his taxation affairs which may be relevant to the making or operation of this Guarantee.
2. The Applicant undertakes to comply with all obligations imposed on him by the Taxes Acts (within the meaning of Section 118 Taxes Management Act 1970) in respect of all years of assessment within any part of which the said certificate is, at the time of issue, expressed to be valid.
3. The Applicant undertakes to notify both the Guarantor and the Commissioners of any change in his private or business address.
4. If in the opinion of the Commissioners the Applicant fails to carry out the undertakings referred to in paragraphs 2 and 3 hereof, and in particular if in their opinion he has made default for more than 30 days in the payment of any tax in respect of the profits arising from his business as a self-employed sub-contractor in the Construction Industry for any of the years of assessment referred to in paragraph 2 hereof, the Commissioners may notify the Guarantor in writing, giving details of the failure or default and setting out a statement of sums which according to the evidence at their disposal have been paid without the deduction referred to in Section 69 Finance (No. 2) Act 1975 by virtue of the limited exception to the said deduction given by the said certificate, and demanding payment of the amount which would otherwise have been deducted from those payments under the said Section 69, or such lesser amount as may seem to them appropriate provided that no such notice shall be given more than three years from the date on which the said certificate is expressed to expire.
5. The Guarantor hereby undertakes that on receipt of any notice from the Commissioners under paragraph 4 hereof the Guarantor will pay the sum demanded to the Commissioners at the expiration of 7 days after such demand, provided always that the total liability of the Guarantor in respect of all such payments as demanded in respect of this Guarantee shall not exceed £2,500 for each year of the period of validity for which the said certificate is issued.
6. Any sums paid under this Guarantee shall be treated by the Commissioners for all purposes as payments on account of the taxation liabilities of the Applicant; provided that any sums repayable out of such payments shall be paid, without further authorisation, to the Guarantor, and any such repayments shall reduce the amount paid under this Guarantee.
7. If at any time before the expiration of the period of three years following the date on which the said certificate is expressed to expire it appears to the Commissioners that there are no sums payable or likely to become payable under the Guarantee the Commissioners may inform the Guarantor and the Applicant accordingly and the Guarantor shall thereupon be released from his obligations under this Guarantee.

8. Although as between the Guarantor and the Applicant the Guarantor is only surety or Guarantor for the Applicant yet as between the Guarantor and the Commissioners the Guarantor shall be considered as principal debtor for all the money hereby secured so that the liability of the Guarantor under this Guarantee shall not be impaired or discharged by reason of any time or other indulgence granted by the Commissioners or by reason of any arrangement entered into or composition accepted by the Commissioners modifying (by operation of law or otherwise) their rights and remedies in respect of the said tax or taxes or by any other act, omission or thing whatsoever whereby the Guarantor as surety or Guarantor only would have been so released or the liability of the Guarantor impaired.
9. The expenses of engrossing the Guarantee and any duplicate thereof and Stamp Duty thereon shall be paid by the Applicant.

IN WITNESS WHEREOF

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#### EXPLANATORY NOTE

*(This Note is not part of the Regulations.)*

1. These Regulations amend Regulations 2, 5, 10 to 12, 15 and 16 and 20 to 24 of, and also the Schedule to, the Income Tax (Sub-contractors in the Construction Industry) Regulations 1975. The principal purpose of these amendments is to take account of the changes introduced by the Finance Act 1982 to enable special certificates (714S) to be issued to those leaving full time education or training, and to others who can offer a guarantee.

2. The amendments deal with the form and issue of the 714S certificate. They lay down the form of the voucher to be completed by a sub-contractor using a 714S certificate on receipt of a payment made without deduction. They deal with the conditions on which such vouchers are to be issued and the obligations to be placed on contractors and sub-contractors. Regulation 23 provides that the user of the 714S certificate is not to be excepted from the deduction to the extent that the total amount of any relevant payments he receives in any week exceeds £150.

3. The Regulations prescribe the form, content and amount of the guarantee to be offered by applicants for a 714S certificate other than those applying on the basis of a full time education or employment record.

4. Regulations 9 and 15 do not relate to the introduction of special certificates. Regulation 9 brings the rules for assessments to recover tax deductible from payments to sub-contractors into line with those which apply to determinations of PAYE tax similarly due [Regulation 29(2)(a) of the 1973 Employments Regulations]. Regulation 15 makes no change of substance but merely re-words Regulation 21(1) of the 1975 Regulations to take account of the clarification of the Board's regulation-making powers contained in Paragraph 4 of Schedule 8 to the Finance Act 1982.

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