
STATUTORY INSTRUMENTS

2005 No. 2045

**The Income Tax (Construction
Industry Scheme) Regulations 2005**

PART 6

CONDITIONS TO BE SATISFIED FOR GROSS PAYMENT

Turnover test

Minimum turnover

28.—(1) The minimum turnover for the purposes of paragraph 3(1) of Schedule 11 to the Act is £30,000.

(2) The amount specified for the purposes of paragraph 7 of Schedule 11 to the Act is £200,000.

(3) The amount specified for the purposes of paragraph 11 of Schedule 11 to the Act is £200,000.

Evidence prescribed to satisfy the turnover test

29.—(1) The evidence prescribed for the purposes of paragraphs 3(1), 7(1) and 11(1) of Schedule 11 to the Act is—

(a) evidence of turnover of the business mentioned in paragraph 3(1), 7(1) or 11(1) of Schedule 11 to the Act, as appropriate, during the qualifying period;

(b) evidence of relevant payments which may include bank statements and paid cheques;

(c) evidence that—

(i) the aggregate amount of relevant payments received in the qualifying period equalled or exceeded the relevant turnover threshold; or

(ii) for the purposes of section 66 of the Act (cancellation of registration for gross payment – continuing compliance), the aggregate amount of relevant payments received in the qualifying period equalled or exceeded the relevant turnover threshold or the average amount of relevant payments received in the qualifying period and the previous two years equalled or exceeded the relevant turnover threshold;

(d) documentary evidence of operations carried out by the business during the qualifying period which demonstrate that the operations amounted to construction operations.

(2) In the case of a new business carried on by a firm or company where there is no evidence as prescribed in sub-paragraphs (a), (c) or (d) of paragraph 1, the evidence prescribed for the purposes of paragraphs 7(1) and 11(1) of Schedule 11 to the Act is—

(a) evidence of relevant payments which may include bank statements and paid cheques;

(b) in the case of a firm, evidence of turnover of partners during the qualifying period;

- (c) in the case of a company, evidence of turnover of relevant persons during the qualifying period;
- (d) evidence of construction contracts entered into by the firm or company including payment schedules where the aggregate value of these contracts exceeds £200,000 and payments of at least £30,000 have been made;
- (e) if the business mentioned in paragraph 11(1) of Schedule 11 was acquired from another person, firm or company (“the transferor”), the evidence specified in paragraph (3).

This is subject to paragraph (4).

(3) The evidence specified is—

- (a) evidence of turnover of the transferor in relation to carrying on the business during the qualifying period;
- (b) evidence that—
 - (i) the aggregate amount of relevant payments received by the transferor in relation to carrying on the business in the qualifying period equalled or exceeded the relevant turnover threshold; or
 - (ii) for the purposes of section 66(1)(a) of the Act (cancellation of registration for gross payment – continuing compliance), the aggregate amount of relevant payments received by the transferor in the qualifying period in relation to carrying on the business equalled or exceeded the relevant turnover threshold or the average amount of relevant payments in relation to the business received in the qualifying period and the previous two years equalled or exceeded the relevant turnover threshold;
- (c) invoices for operations carried out by the transferor during the qualifying period which demonstrate that the business operations amounted to construction operations;
- (d) evidence that the transferor would have satisfied the compliance test in paragraphs 4, 8 or 12 of Schedule 11 to the Act at the date of the transfer.

(4) The evidence prescribed in paragraph (2) may only be given in relation to one application for registration for gross payment.

(5) For the purposes of this regulation and regulation 31—

“relevant payment” has the meaning given in paragraph 3(2) of Schedule 11 to the Act;

“relevant turnover threshold” means—

- (a) for the purposes of paragraph 3(1) of Schedule 11 of the Act, in relation to individuals, the minimum turnover specified in regulation 28(1);
- (b) for the purposes of paragraph 7(1) of Schedule 11 of the Act, in relation to firms, the smaller of—
 - (i) the sum specified in paragraph 7(2) of Schedule 11 of the Act, and
 - (ii) the amount specified in regulation 28(2);
- (c) for the purposes of paragraph 11(1) of Schedule 11 of the Act, in relation to companies, the minimum turnover for the purposes of that sub-paragraph.

Number of partners or relevant persons

30. For the purposes of paragraphs 7(2)(a) and 11(2)(a) of Schedule 11 to the Act if the number of partners or relevant persons as the case may be has fluctuated over the qualifying period, the number of partners or relevant persons is the maximum number of partners or relevant persons at any one time in the qualifying period.

Turnover test treated as satisfied in prescribed circumstances

31. A person, firm or company which does not satisfy the condition in paragraphs 3(1), 7(1) or 11(1) of Schedule 11 to the Act, as appropriate, is treated as satisfying that condition if an officer of Revenue and Customs is satisfied that—

- (a) the business of the person, firm or company does not mainly consist of construction operations,
- (b) in the year prior to making the application the total turnover of the business exceeded the relevant turnover threshold, and
- (c) in the year following making the application the person, firm or company is likely to receive relevant payments in relation to construction operations which are incidental to the main business of the person, firm or company.