
EXPLANATORY NOTE

(This note is not part of the Regulations)

The Income Tax (Construction Industry Scheme) Regulations 2005 (S.I. 2005/2045) (“the principal Regulations”) make provision in relation to the construction industry scheme established by Chapter 3 of Part 3 of the Finance Act 2004 (c. 12). These Regulations amend the principal Regulations.

Regulation 3 amends regulation 32(2) of the principal Regulations which prescribes, for the purposes of the compliance test in Schedule 11 to the Finance Act 2004, the obligations and requests which must be satisfied before a sub-contractor may receive gross payments from a contractor under the construction industry scheme. Regulation 3 omits the references to regulations 67B, 67D, 73 and 74 of the Income Tax (Pay As You Earn) Regulations 2003 (S.I. 2003/2682) (“the PAYE Regulations”).

Regulation 4 amends regulation 56(5) of the principal Regulations which sets out the circumstances in which HM Revenue and Customs (“HMRC”) shall repay to a sub-contractor any sum deducted from a payment by a contractor under the construction industry scheme. As a consequence of the amendment made by regulation 4, the sub-contractor is now required to have paid over to HMRC any amounts it had deducted in its capacity as a contractor under the principal Regulations and any amounts it had deducted in its capacity as an employer under the PAYE Regulations.

A Tax Information and Impact Note covering this instrument was published on 15th March 2012 alongside the Income Tax (Pay As You Earn) Regulations 2012 (S.I. 2012/822). This has been updated as a result of changes to the impacts as a result of the year long RTI pilot and is available on the HMRC website at <http://www.hmrc.gov.uk/thelibrary/tiins.htm>.