

Evaluating the Construction Industry Scheme

Report for HM Revenue and Customs

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Executive Summary

1. Executive Summary

1.1. Aims and objectives

- This report provides a robust methodological evaluation of the extent to which the new CIS scheme meets its policy aims, namely to:
 - Make it easier for businesses to comply with their income tax obligations, and;
 - Reduce the regulatory burden through making the scheme simpler to administer.
- To do this, the research provides detailed information on the tasks that businesses do and do not undertake in relation to New CIS and how long it takes to complete these tasks.
- The research had three core objectives:
 - To gauge whether CIS meets its policy aims;
 - To understand business processes in relation to CIS, and;
 - To explore the perceptions of businesses in relation to the cost of compliance with the new scheme.
- HMRC securely sent a sample of their CIS database to Ipsos MORI from which to conduct this research. The businesses therein were classified by type and the amount of turnover to which CIS applies. Three categories of business were identified in each:
 - Types – contractors, subcontractors and those that perform both functions (referred to as dual role businesses within this report)
 - Turnover to which CIS applies – small (under £100,000), medium (£100,000 to £499,999) and large (£500,000 plus). Wherever *turnover* is mentioned in this report, it refers to turnover in relation to CIS.
- For the purposes of CIS and this research, *contractors* are defined as businesses that engage other businesses to complete construction work and *subcontractors* as those that carry out construction work for contractors. Dual role businesses do both of these activities.

1.2. Methodology

- A mixed methodological approach was taken. The aim dictates that a statistically robust methodology is critical to the research, and a random probability sampling approach lies at the heart of the quantitative element of the project. However, qualitative research was also needed to help in the design of the questionnaire and to understand some of the issues that provide the context for the answers given by respondents during the survey phase. The two methods used were:
 - 45 face-to-face interviews with *contractors*, *subcontractors* and *dual role businesses*. These were conducted in and around four cities in England and Scotland;

- A quantitative, random probability survey of businesses working with CIS delivered using Computer Assisted Telephone Interviewing (CATI). The survey took around 15 minutes on average.
- As noted, the sampling approach was critical to the success of the project. At all stages of drawing the sample, a random approach needed to be taken to ensure that any business from HMRC's CIS database had an equal chance of selection. A full explanation of the approach is provided in the report.
- Main stage fieldwork took place between 29th June and 21st August 2009 and 2,533 completed interviews were achieved, 133 over the nominal target of 2,400 for the survey. A marked up topline questionnaire is provided in Appendix 1 of this report.
- Comparative figures quoted in this report are all statistically significant at the 95% confidence level. The tables and charts throughout the report use an asterisk (*) to denote either a value greater than zero, but less than 0.5%. Where fewer than 20 responses were collected, percentages are presented but these are flagged with an asterisk to indicate that these percentages are based on small numbers of respondents. Caution should be used when interpreting these data. Appendix 2 contains a note on statistical significance and a table which lists all of the sub-group base sizes used during the analysis in this report.

1.3. Key findings

Compliance and trust

- Headline figures show that, in the main, these policy aims have been met. With respect to compliance, 81% of all respondents agree that CIS is *effective in ensuring that construction businesses pay income tax*. Businesses also value the scheme as 79% of them agree that its existence makes them *confident that construction businesses are complying with their tax obligations*.
- There is a general agreement from 51% of respondents that the existence of CIS shows that *HMRC does not trust the construction industry* and just over a half of respondents disagree with the notion that *construction businesses will always find a way to avoid paying tax*. However, there is a strong minority (30%) that agree with this statement and this helps explain some of the mixed messages received on trust – many respondents may think that HMRC does not trust the industry, but some can also see that there is some justification for the Department to hold this view.

Administrative burden

- The time spent administering CIS is quite small and averages at three and half hours a month, although this does vary greatly across different types of business. Indeed 5% of those who administer CIS themselves¹ said they did not spend any time at all on the scheme (mostly subcontractors). The mean time spent on CIS administration per month is skewed by businesses who say they spend a significantly longer time, with some respondents claiming that they spend in excess of 2 days on CIS administration. This means that a small number of outliers have a disproportionate effect on the mean figure, which would fall should those outliers be removed. The modal time spent on the scheme is 1-30 minutes per month. As would be expected, contractors spend more time administering the scheme than subcontractors. Nearly two-thirds (64%) spend

¹ Administer CIS themselves – n=2,019

two hours or less a month administering the scheme, although the highest length of time recorded was 18 hours. Over one in five (22%) respondents said that they took three hours or more to complete their CIS administration and these were typically larger turnover contracting businesses.

- Those with experience of the old CIS scheme generally agree the changes made by HMRC have helped; two thirds (65%) agree that *the new scheme is simpler to administer than the old scheme* and 57% agree that *the new scheme takes less time per month to complete than old CIS*. However, there is still a feeling amongst a minority of contractors that CIS is a burden (although there are still more who disagree than agree with this statement). As may be expected contractors are more likely to agree that CIS represents an administrative burden, as they do the bulk of the administration – around a half agree CIS is a burden to them.
- It is very encouraging to see that four fifths of the respondents taking part in this survey find that CIS is easy to administer. This is especially the case for businesses with a large or medium CIS turnover. Conversely, smaller turnover businesses are more likely to find it difficult to administer the scheme. This is important as around half of the respondents taking part in the survey (49%) think CIS is targeted at smaller businesses, compared to the 25% who disagree with the statement that *CIS is geared towards small businesses and the self employed*. Small CIS turnover businesses themselves are the most likely to agree with this statement (51% compared to 38% of large CIS turnover businesses).
- The changes that have been the most prevalent in reducing administrative time are the *removal of vouchers* and, for those using electronic methods, the *introduction of online filing* – these changes decreased the amount of administration for 54% and 45% respectively for those respondents that were asked the question.

Processes

- Nearly all of those surveyed know what information is required to be compliant. Importantly, 94% of contractors know they need to collect a subcontractor's Unique Taxpayer Reference and 88% of subcontractors know they need to supply this information. There is slightly less recall on the other bits of data that are essential, but this is likely to be explained by the fact that the need to submit this data is dependent on the profile of the business. For example, 54% of subcontractors recognise the need to submit a Company Registration Number (CRN), remembering that only corporate subcontractors will supply a CRN as individuals do not have one. There is no reason why a subcontractor should be aware of the requirements of information provision for a different business type.
- Four in five contractors say they provide a statement of pay and deductions to *all of the subcontractors with whom they work* – 67% of subcontractors say they receive statements from all contractors. This difference is down to the relationship between contractors and subcontractors. Many of the latter will work with multiple contractors, so it takes just one of those contractors not supplying a statement for a subcontractor to say they do not receive a statement from all.
- Statements are typically provided on a monthly basis by 64% of contractors and 17% provide statements on the completion of a job. There are a small number (9%) who say they provide statements less frequently than monthly. Contractors say they include most of the details that they should in the statement and any variance is explained by the different profile of a subcontractor (whether they are a registered business or an individual).

- With regards to payment methods, cash transactions are very infrequently reported by contractors (7%) and subcontractors (4%). Contractors are most likely to pay by cheque (74%) – four in ten (41%) say they use direct bank transfers to pay subcontractors.
- Based on the findings of this survey, Gross Payment Status is more commonly the preserve of large CIS turnover subcontractors; of the 26% of subcontractors that hold GPS, seven in ten are subcontractors with a large CIS turnover.
- Most businesses (87%) still use at least some paper-based methods to administer CIS and around half (49%) use a mix of paper and electronic methods. Respondents' levels of awareness of some of the systems HMRC provides to help administration is mixed: 56% of those who use electronic methods use CIS Online to file their monthly returns, but a fifth of contractors who file a paper return say they do not receive a partially completed return from HMRC.
- Most contractors (65%) use the telephone to verify subcontractor details. In comparison, a third (33%) verify online.

1.4. Key issues

- Although the overall figures show that CIS is generally successful in meeting its policy aims, success is dependent on the profile of a business. Respondents to this survey are more likely to agree that CIS is *geared towards small businesses and the self employed*. However, it is this group (small turnover businesses) that are **more likely** than large turnover businesses to struggle to be compliant as they are more likely to:
 - Say that they find it difficult to administer the scheme;
 - Agree that CIS is too much of a burden. (Small turnover dual role businesses are especially likely to say this); and
 - Disagree that the scheme is simpler to administer than old CIS.
- The data show a positive link between the perceived effectiveness of CIS with respect to compliance, and the speed and simplicity of its administration. This does not mean that a causal link exists, but shows that those who agree that CIS is effective with respect to compliance are also likely to think it is quick and easy to administer.
- Businesses who use electronic methods of administration typically find it *easier* to administer the scheme, although it can sometimes make the process *longer*. They are also likely to be more compliant as they are statistically more likely to provide the correct information to HMRC. The data show that electronic methods of administration are more likely to be used by businesses with a large or medium CIS turnover.
- The employment status declaration has had some effect on the way that a quarter of businesses approach staffing in their business and the effect is significantly different depending on the profile of the business a respondent represents. One in ten contractors say that they now only engage subcontractors since the advent of the declaration – small businesses are much more likely to form part of that 10%.
- The job role of respondents is an important factor in determining how difficult respondents find the CIS process. Tradespeople (builders, electricians, joiners, etc) are much more likely to find it difficult to administer CIS, and are especially likely to say that there are *too many complicated forms to complete*. This certainly chimes with

some of the findings from the qualitative research, where many individuals asked or employed domestic partners to undertake CIS tasks on their behalf.

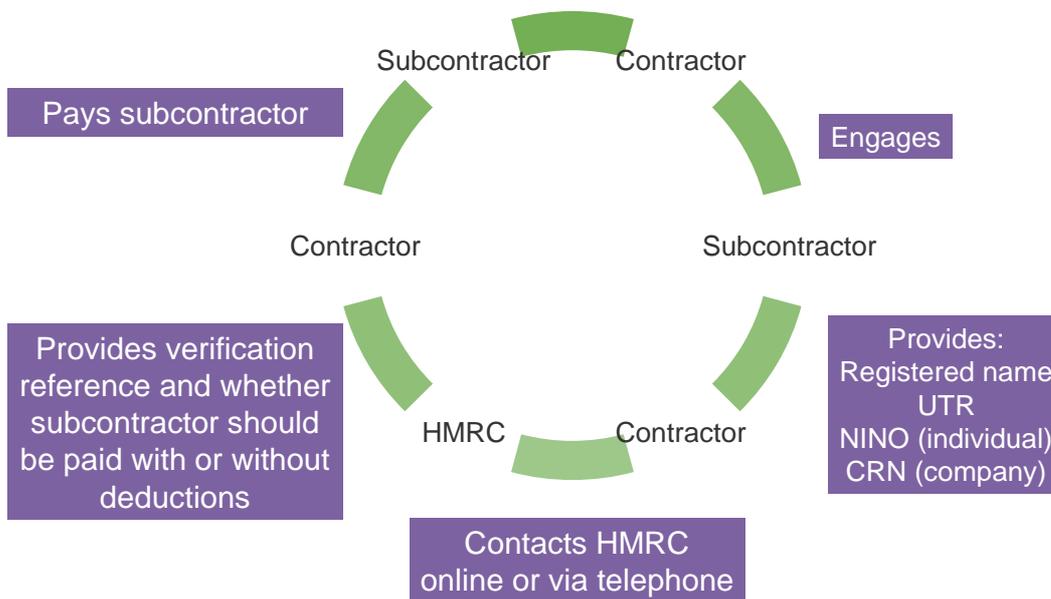
HMRC are successfully providing help to businesses in relation to CIS. Smaller contractors are heavier users of HMRC's free online software and they are more likely to recognise that HMRC provides pre-populated forms; help *is* getting through to a lot of businesses that need it. For those businesses that have experience of the old CIS, 43% say that pre-populated forms have reduced the administrative burden, compared to 16% who say that it has had the opposite effect.

Introduction

2. Introduction

The Construction Industry Scheme (CIS) applies mainly to contractors and subcontractors in construction work and was originally conceived in 1971 to prevent evasion of tax by such workers. CIS maintains a registered database of subcontractors, with those subcontractors with a history of good compliance and a turnover above a certain threshold being granted Gross Payment Status (GPS) with the remainder having deductions made by the contractor from their payments.

CIS processes 1 – engaging a subcontractor



Ipsos MORI

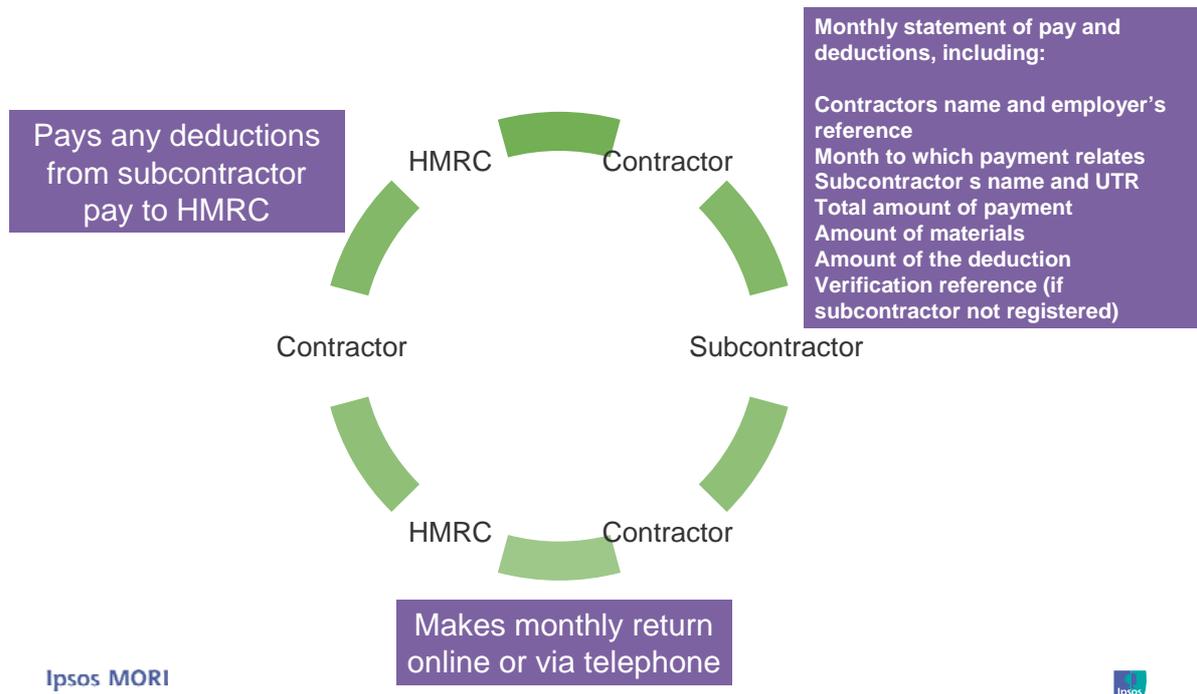


Following the engagement and verification of a subcontractor, CIS also requires contractors to provide monthly statements to those subcontractors paid under deduction and a monthly return to HMRC, in addition to passing directly to HMRC any deductions made from payments to those subcontractors who are not gross paid. This is illustrated in the chart overleaf.

Throughout its history, the scheme has undergone a series of substantial revisions and was most recently modified in April 2007. These revisions included:

- The introduction of a verification service designed to replace Registration Cards and Tax Certificates;
- A monthly return in place of vouchers, and;
- A computer system to facilitate online services, where appropriate.

CIS processes 2 – working together



In previous research for HMRC on CIS (an extensive qualitative study examining perceptions of obligations), businesses reported that there was much uncertainty about the proposed changes to the scheme and, in particular, the abolition of the vouchers. Those participants covered by CIS perceived that the vouchers gave them clarity regarding the work they had undertaken over the course of the year and that to remove them would heighten the challenges they already face in bookkeeping.

Few participants in this earlier research understood the purpose of the changes and thus saw little need for alterations to be made to the system. They believed that having to adapt to new ways of working would add another element of complexity to a process that they already found challenging.

However, simplification is central to the new scheme – a benefit which it is hoped, in time, will be recognised by those it covers. At present, HMRC's evidence base on the new CIS scheme is limited to research conducted shortly after its implementation, at a time when the scheme was bedding in, with the associated issues that a new process brings. Therefore, this research was conducted to provide a thorough and robust mixed methodological evaluation of the extent to which the new CIS scheme meets its policy aims. To do this, the research provides detailed information on the tasks that businesses undertake in relation to New CIS and how long it takes to complete these. It also attempts to untangle how this varies according to type of business (for example, size, length of time in operation and so on) to ensure that HMRC has the fullest picture.

The research had three core objectives:

- To understand business processes in relation to CIS;
- To explore the perceptions of businesses in relation to the cost of compliance with the new scheme; and,

- To gauge whether CIS meets its policy aims.

The table below lists the more detailed research objectives agreed between Ipsos MORI and HMRC during the commissioning process.

Table 2.1 Detailed research objectives

Objective 1: Processes relating to New CIS
What do contractors and subcontractors physically do in relation to New CIS?
How long do these tasks take?
How do the processes differ from Old CIS (if at all);
Objective 2: Perceptions of New CIS compliance costs (Representative)
What are businesses' attitudes towards and perceptions of the costs associated with New CIS
To build a statistically robust understanding of the processes undertaken in relation to New CIS i.e. what sort of businesses do different types of tasks?
What changes do businesses perceive in the cost of complying with New CIS, if any?
How long does it take to complete the administration for New CIS?
What could be done to decrease the amount of time taken to administer New CIS?
Are some tasks more necessary than others? If so, how do businesses rate different tasks in terms of priority?
Objective 3: New CIS meets policy aims – Compliance and employment status
What impacts (if any) has New CIS had on business processes?
What do businesses perceive to be their obligations in complying with New CIS?
How have businesses changed their practices as a result of New CIS?
What impact has New CIS had on business in relation to the declared employment status of workers?
How do businesses feel about any changes in business practices?

Acknowledgements

Our thanks go to all those in the construction industry who took part in the pilot and mainstage surveys. We would also like to thank Jane Taylor, Ray Bourley, Adam Roberts and the other project members at HMRC with whom Ipsos MORI worked in close partnership to deliver this survey.

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Methodology

3. Methodology

3.1. Introduction

A mixed methodology approach was used to complete this research. An initial qualitative stage explored the activities that contractors and subcontractors use to administer New CIS. Information gathered from this stage of the research was then used to inform design of a quantitative questionnaire to be administered through Computer Assisted Telephone Interviewing. The two methodologies are described in detail below.

3.2. Qualitative research

Depth interviews were conducted to gain insight into the processes that different categories of businesses employed in order to comply with New CIS. This was an important facet of the qualitative stage as it helped us develop suitable questions for the later quantitative stage. Face to face depth interviews were conducted with 45 members of staff responsible for administering New CIS within different categories of construction businesses (described below). These were semi-structured interviews that lasted up to an hour. The discussion guide used for the research is appended.

Qualitative sampling

Interview appointments were made from a sample frame provided by HMRC, from their records of CIS registered businesses. After consultation with HMRC, Ipsos MORI drew a sample of different businesses from 5 agreed locations from the larger sample frame supplied by HMRC. Whilst it was important to use the same method described in the quantitative section to create the qualitative sample (using the same proportions as used in drawing the initial sampling fractions), once this sample was drawn, the recruitment followed a quota method. The aim of the qualitative phase was not to achieve a representative sample of interviews, but to provide enough evidence from which a well-thought out and constructed questionnaire could be created.

All of those in the sample frame were then sent an opt-out letter, explaining the research and giving them the chance to say that they did not wish to be contacted with regard to the project. After a set period (in this case 14 days), Ipsos MORI staff began the process of contacting individuals to see if they would agree to be interviewed.

The structure and number of depth interviews were selected to reflect the categories of businesses described as part of the scheme. There is a clear division between two categories of businesses: **contractors** and **subcontractors**, and additionally a third category of businesses that fulfil **both functions**. For the purposes of this report, the latter group are called “dual role businesses”. Categories were defined using the following descriptions:

Contractor asks other businesses to complete construction work.

Subcontractors carry out construction work for contractors.

Loose quotas were set in order to build a good understanding of the range of activities each type of business performs in relation to New CIS. In addition to the main contractor categories we also looked at sub-categories by **turnover** and **representation** – whether or not a business uses an external agent for their tax affairs. With respect to representation,

the research mostly focussed on those who did the bulk of the administration for CIS themselves. Hence most interviews were conducted with those who did not use agents for the majority of their CIS administration. Similarly, the quotas were set to reflect the fact that contractors carry out the bulk of the administration associated with CIS, so fewer subcontractor interviews were scheduled.

We conducted 45 qualitative interviews, distributed as in the table below.

Turnover	Subcontractors	Dual role	Contractors	Total
Less than £100k	4	3	5	12
£100K to £499,999	4	8	7	19
£500k +	1	6	7	14
Total interviews	9	17	19	45

Fieldwork

Qualitative fieldwork took place between 20th April and 10th June 2009. The 45 face to face interviews were conducted with the person in the company primarily responsible for the administration of the Scheme. Interviews lasted between 20 minutes and one hour dependent on the category of business – interviews with subcontractors were shorter as they typically do less administration under the New CIS process, while interviews with dual role businesses were longer as they were asked to talk about both the contracting and subcontracting elements of the process.

Interviews were clustered in several different places in order to get a spread of interviews across the country. Interview locations were as below.

Location type	Locations	No. of interviews
South	London	26
Midlands	Nottingham	8
North	Newcastle	5
Scotland	Glasgow	6

Sample was also drawn from construction businesses working in Wales. However, we could not get anyone from this sample to agree to be interviewed using the representative sample we had drawn from the data submitted by HMRC. Whilst a further sample could have been drawn for Wales, it was agreed with HMRC that geographical factors were not an important consideration in the issues to be discussed. Given the extra time required to send further opt-out letters and then arrange more interviews, it was agreed to make up the shortfall by carrying out interviews in the other selected locations.

Analysis

It is important to note that **qualitative** research, for example in-depth interviews, is designed to be *illustrative* rather than *statistically representative* and therefore provides insight into why people hold views, rather than draws conclusions as to how many people hold those views. In addition, it is important to bear in mind that we are dealing with people's perceptions, rather than hard facts, hence comments may not correctly describe how the system *does* work, but instead how the respondent *perceives* it works.

Whilst the qualitative work was conducted primarily to provide insight into the questions to be asked in the quantitative survey, verbatim comments from the qualitative research have been included throughout the report in order to explore *why* certain opinions are being expressed in the quantitative survey. Comments are presented in boxes such as the one to the right and are attributed by business category and CIS turnover.

“Well I presume it was rolled out for north east small builders who wouldn't pay their tax and kept on working and not paying tax ... for big companies I don't really see the relevance of CIS anymore”

Large Contractor

3.3. Quantitative research

The second stage of the research was a quantitative survey of businesses listed on HMRC's CIS database. 2,533 interviews were achieved with members of staff responsible for administering New CIS within different categories of construction businesses. Quantitative interviews were conducted using Computer Assisted Telephone Interviewing (CATI) and were approximately 15 minutes in length, dependent on the category status of the business. The questionnaire was designed in conjunction with HMRC and was informed by the earlier qualitative stage of the research. The questionnaire is appended at the end of this report.

Sampling

The sample frame for quantitative interviews was drawn from the CIS database from an aggregate of 12 months of returns in order to smooth over any seasonal differences. The contact details were collected in 2008. HMRC drew a disproportionately stratified random sample of 79,351 contact details from their full database of 1,028,863 records. Records were separated by HMRC into nine separate strata based on:

- Three types of businesses – *contractors*, *subcontractors* and *dual role* businesses and;
- Turnover – small (less than £100,000 per annum), medium (£100,000 to £499,999) and large (£500,000 plus).

The table below summarises the sample data provided to Ipsos MORI, and how that could be used for this research. The column headings are explained below Table 3.1.

Table 3.1 Sample structure

Stratum	Population by stratum - HMRC Dataset	Sample sent by HMRC	Valid, unique sample	Sample drawn from valid	Sample loaded by Ipsos MORI
Contractor - Large	5,060	5,060	3,698	400	178
Contractor - Medium	8,859	8,859	6,965	400	197
Contractor - Small	43,535	8,707	7,346	2,399	1,377
Subcontractor - Large	3,409	3,409	1,716	200	99
Subcontractor - Medium	15,887	15,887	8,858	200	111
Subcontractor - Small	836,652	16,733	13,999	4,023	3,476
Dual - Large	25,182	6,296	5,316	400	196
Dual - Medium	35,818	8,955	7,437	400	206
Dual - Small	54,461	5,446	4,714	2,399	1,193
Total	1,028,863	79,351	60,049	10,821	7,033

Source: Ipsos MORI

- Population by stratum - HMRC Dataset: Lists the complete number of data records held by HMRC by each of the 9 strata;
- Sample sent by HMRC: HMRC drew a random sample from some of the strata, and provided Ipsos MORI with the sampling fraction used. For example, around 80% of the full data set is comprised of *small subcontractors*. HMRC provided a randomly selected set of records at a 50:1 ratio, meaning that 1 record was supplied for every 50 that existed on in the full CIS database.
- Valid, unique sample: Ipsos MORI then cleaned the received sample, removing records that either had a blank or incomplete telephone number, or that proved to be duplicate records.
- Sample drawn by Ipsos MORI from valid: Ipsos MORI agreed a target number of interviews with HMRC for each stratum which balanced the need to reduce the effect of statistical weighting of the final data whilst providing a large enough sample for sub-group analysis. In the first instance, Ipsos MORI randomly selected four times the amount of sample required for the target number of interviews. So, in the case of *large contractors*, our aim was to complete as close as possible to 100 interviews. We therefore drew a sample of 400 businesses in this stratum. Opt-out letters were sent to the whole of the sample frame to explain the upcoming research and give them the opportunity to opt out before the study commenced.
- Sample loaded by Ipsos MORI: The random probability approach meant that each business selected should have an equal chance of taking part in the survey. This means that each part of the process had to use random selection and, once loaded, each record in the sample had to be contacted. Ipsos MORI therefore randomly separated each stratum into four parts. One part was loaded, and then exhausted² before the next bit of sample was added. Once the target number of interviews was reached, interviewing continued until the loaded sample was exhausted. After this, no further sample was loaded.

The small CIS turnover subcontractor sample proved more difficult to recruit for interviews than the other groups of respondents. Anecdotal feedback from those people who were contacted suggested that this group were more affected by the current economic climate, which led to many numbers being unobtainable or the respondent no longer working in the field. It was also noted that many of the small subcontractors worked alone or with very few employees, and as such felt that they could not afford the time away from the job in order to conduct the interview. In order to achieve our minimum target sample size for the small subcontractor group, once the initial sample had been exhausted a second batch of sample was drawn, using the same proportions, from the original sample provided by HMRC. This sample was subject to the same protocol as the first wave of sample, with opt-out letters being sent to the respondents a week in advance of interviews commencing. As with the initial wave of sample, this sample was called until all leads were exhausted.

Random sampling lies at the core of this approach as the aim is to ensure every business invited to take part in the research had an equal chance of selection. Every time a smaller

² A sample was counted as exhausted once every record had an outcome, which could be a complete interview, a refusal, a valid number that could not be contacted, or if a number had been called 12 times with no reply. A few numbers were rejected by the CATI system as they were loaded (for example a number would be rejected if the telephone number cell is blank, or the number does not contain an area code or enough digits). This explains why the "sample loaded" column does not contain round numbers.

sample was drawn from a larger one, the process had to be randomised so that any business had an equal chance of selection. This is achieved by firstly randomising the order of the sample by ensuring that the data are not listed alphabetically (by name, location, street name, etc) or numerically (by telephone number, house number, etc). Then the sampling fraction was calculated. So, for example, as cited earlier, Ipsos MORI wanted to select 400 records from the 3,698 valid *large contractors* records provided. The sampling fraction was therefore 3,698 divided by 400, or 9.245:1. This simply means that 1 from every 9.245 records needed to be selected from the sample. Then a random number was electronically selected based on the number of records in a given stratum to provide a starting point from which to draw the sample. Using the same example above, as there were 3,698 records in that stratum, the random number was between 1 and 3,698. From this starting number, records were then selected that were either 9 or 10 records away from this start point. This allocation was managed using an Excel spreadsheet.

Fieldwork

All interviews were conducted using Computer Assisted Telephone Interviewing. Pilot interviews were conducted between 23rd and 25th June 2009. As some changes were made to the questionnaire as the result of the pilot phase, these interviews have not been included in the total achieved interview count. Main stage fieldwork took place between 29th June and 21st August 2009 and 2,533 completed interviews were achieved.

Data were loaded into the interviewing system as described in the *sample loaded* paragraph above. Each respondent was called up to 12 times at different times of the day and on different days of the week until a completed interview, refusal or other final outcome was obtained. As shown in the table below, most of the target number of interviews were exceeded, with the exception of the small subcontractor group where, despite extra sample being loaded and exhausted, interviewing ended six shy of the target.

Table 3.2 Achieved interviews

Stratum	Target	Achieved
Contractor - £500,000 or over (C-LG)	100	100
Contractor - £100,000 to £499,000 (C-ME)	100	116
Contractor - Less than £100,000 (C-SM)	600	620
Subcontractor - £500,000 or over (S-LG)	50	53
Subcontractor - £100,000 to £499,000 (S-ME)	50	59
Subcontractor - Less than £100,000 (S-SM)	700	694
Dual - £500,000 or over (B-LG)	100	106
Dual - £100,000 to £499,000 (B-ME)	100	114
Dual - Less than £100,000 (B-SM)	600	671
Total	2,400	2,533

Source: Ipsos MORI

The achieved response rate for the survey was 36% of the sample used, although as discussed earlier, the response rate was significantly lower among small subcontractors particularly (20%). Please note that the achieved interviews in the table below are based on the HMRC categorisation rather than the self-categorisation of business as discussed below. We cannot compare response rates for self-categorisation as we do not have these data for the whole population of eligible businesses.

Stratum	Achieved interviews	Total sample used	Response rate
Contractor - £500,000 or over (C-LG)	92	178	52%
Contractor - £100,000 to £499,000 (C-ME)	103	197	52%
Contractor - Less than £100,000 (C-SM)	652	1,377	47%
Subcontractor - £500,000 or over (S-LG)	36	99	36%
Subcontractor - £100,000 to £499,000 (S-ME)	45	111	41%
Subcontractor - Less than £100,000 (S-SM)	711	3,476	20%
Dual - £500,000 or over (B-LG)	127	196	65%
Dual - £100,000 to £499,000 (B-ME)	122	206	59%
Dual - Less than £100,000 (B-SM)	645	1,193	54%
Total	2,533	7,033	36%

Source: Ipsos MORI

Weighting

When respondents were asked to classify the business that they worked for in terms of the contracting category and CIS turnover, a significant minority classified themselves differently to the way they were listed on the HMRC database. This is a common occurrence in business surveys, especially when the data used to populate a database are collected some time in the past. Businesses therefore frequently move, or 'jump', between different strata of classifications.

Where there was disagreement, the respondent was prompted with the HMRC classification and the definition of the contracting status. At this point respondents were given a clear description of the definition of a contractor and subcontractor (see Q4 and Q5 in the marked up questionnaire in Appendix 1). Where the answer was still in disagreement with the HMRC definition the answer of the respondent was taken above that of the HMRC sample classification.

As indicated in the table overleaf, a percentage of respondents moved from their assigned HMRC stratum to another. Those squares highlighted show the percentage of respondents in each area who have remained the same.

Table 3.3 Movement between strata

	HMRC Category								
Self-assessed category	B-LG (127)	B-ME (122)	B-SM (645)	C-LG (92)	C-ME (103)	C-SM (652)	S-LG (36)	S-ME (45)	S-SM (711)
B-LG (106)	65%	1%		12%	1%		28%	2%	
B-ME (114)		58%	1%		20%			29%	
B-SM (617)		2%	64%			22%			16%
C-LG (100)	15%			80%			17%		
C-ME (116)	1%	18%		1%	77%	2%	3%		
C-SM (620)			18%		1%	72%			5%
S-LG (53)	20%	1%		7%			53%		
S-ME (59)		20%			1%			60%	1%
S-SM (694)			16%			5%		9%	78%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

'Jumping strata' are important because they affect the weighting of the final data. Because the way that participants describe their business is different to the way they are recorded in HMRC's dataset, it is not possible to weight against these data. Instead, it is necessary to take into account the movement of data from one stratum to another, including the direction of that move. By this, we mean that the weight applied to a business jumping from the large contractor to the large subcontractor sample is not the same as the weight applied to a business jumping in the opposite direction

As well as needing to weight the data to account for the disproportionate stratification, the jumping strata create a significant design effect due to the strength of the weighting applied to final data.

Analysis

When interpreting the findings, it is important to remember that the results are based on a sample of businesses using New CIS, and not the entire population. Consequently, results are subject to sampling tolerances, even though a random sampling approach was used to minimise these effects. In other words, not all differences between sub-groups are statistically significant and there is a calculated margin of error for all findings – although it should be noted that differences in the whole population may also not be significant. A guide to statistical significance is included in the appendices

In tables and charts where percentages do not add up to 100% this is due either to multiple answers, to rounding, or to the exclusion of 'Don't know' or 'No response' categories. Where figures are combined to produce a net result (eg very satisfied and fairly satisfied combined to produce a percentage for satisfied) this figure represents the addition of the raw values, and as such may not represent the sum of the two percentages. Throughout the tables an asterisk (*) denotes either a value greater than zero, but less than 0.5%. Where fewer than 20 responses were collected, percentages are presented but these are flagged with an asterisk to indicate that these percentages are based on small numbers of respondents and caution should be used when interpreting this data.

Where appropriate, analysis has also been conducted at sub-group level. All reported subgroup differences are statistically significant at the 95% confidence level. In some instances the data are based on small sample sizes and should be treated with a degree of caution; this is noted in the text or footnotes.

Multiple regression analysis

In addition to reporting on how contractors and subcontractors respond to different questions, we have conducted multiple regression analysis (sometimes known as key driver analysis) on the data. This identifies whether a set of answers (independent variables) relates to another answer (dependent variable). Multiple regression analysis describes how well these independent variables predict each dependent variable, and also the effect of each independent variable on the dependent i.e. whether it is a positive or negative driver of the dependent variable. Drivers are indicated as either positive or negative in the charts, with negative drivers being shown in red and positive drivers in green. For this project, multiple regression analysis was used to determine which, if any, factors are related to the below questions:

- time taken per month to administer CIS
- the ease or difficulty of administering the scheme
- how common or uncommon respondents perceive deliberate avoidance of paying taxes is within the construction industry
- the effectiveness of New CIS in ensuring construction businesses pay income taxes

Although tests were applied on all of the listed factors, this process only found a weak correlation on the final measure listed; *the effectiveness of CIS in ensuring businesses pay income taxes*.

This report continues with a thematic discussion on the findings of the survey, structured using the aims and objectives of the research and using the qualitative findings to illustrate the quantitative data.

Overall impressions of New CIS

4. Overall impressions of New CIS

4.1. Chapter overview and summary

In this section, we describe the overall view that the research audience holds about CIS, including why they think such a system operates and their general perceptions of tax compliance issues.

Headline figures - compliance

- 36% of respondents spontaneously say that CIS exists to *ensure income tax gets paid*.
- 81% of respondents think that CIS is *effective in ensuring that construction businesses pay income tax*.
- 79% of respondents feel that CIS helps them feel *confident that construction businesses are complying with their tax obligations*,

Headline figures – administrative burden

- Around half of contractors and dual role businesses (52% and 49% respectively) agree that CIS is a burden, compared to slightly over a third (35%) of subcontractors. However, slightly more subcontractors (49%) disagree than agree that CIS administration is a burden on their business.

Headline figures - trust

- (53%) feel the industry is honest and disagree with the notion that *construction businesses will always find a way to avoid paying tax*.
- (51%) think that the existence of CIS shows that *HMRC does not trust the construction industry*
- (57%) think that it is *uncommon* for businesses to deliberately avoid taxes

As indicated in the headline figures box, CIS is mostly successful in meeting one of its policy aims: **improving compliance with tax obligations**. It has also demonstrated a degree of success in **reducing the regulatory burden**, as shown within the *changing face of CIS* section (p.50), although CIS is still a burden for some (41%), the changes have reduced the administrative burden for many businesses: nearly two-thirds (65%) of those who used the old scheme think that the new system is *simpler* and 57% say it *takes less time to administer*.

CIS is particularly successful in relation to compliance - four in five respondents agree that the scheme *is effective in ensuring construction businesses pay income tax* and that it makes them feel *confident the construction businesses are complying with their tax obligations*.

Given the balance of administration between the two groups of businesses, it is unsurprising that **contractors are more likely than subcontractors to think the scheme is a burden** as they have more administrative responsibility under CIS.

Respondents that have a point of comparison hold divergent opinions on changes they perceive in the scheme. Some businesses have benefited from the change as they agree that the scheme is now quicker than the pre-2007 version – 86% of this group rate new CIS as *effective*. In comparison, 68% of those who now think the scheme is slower rate the scheme as *effective*. Similarly, those who think CIS is *easy to administer* are more likely to think New CIS is effective (84% versus the 63% who find it *difficult to administer*).

This shows that **the speed and simplicity of the administration of CIS positively affects perceptions of effectiveness.**

A small proportion of respondents (five percent) think the scheme is *ineffective* in preventing income tax evasion, a third of these say that this is because it *is easy to bypass the scheme*. Some of the qualitative work confirms this finding. During this phase of the project, respondents were reluctant to speculate further on ways in which the scheme could be bypassed, perhaps due to concern that this would place suspicion upon their own working practices.

“And I’m not convinced it still doesn’t go on, I don’t think it’s achieving particularly its aim. I’ve just heard tales of folks still getting paid cash and lumping and so forth. Bigger firms are having to produce big lots of money to get guys to work for them”

Contractor, Medium

On the issue of trust, businesses are divided. Whilst most are positive and disagree that tax avoidance is prevalent, a significant minority (22%) still feel avoidance is *fairly common* in the sphere of the construction industry. One in twenty respondents think avoidance is *very common*. On the surface, these findings contradict the view that CIS is effective. However, there is a correlation between those who think the scheme is effective and those thinking avoidance is uncommon.

4.2. Overall perceptions of the scheme

The survey opened by asking respondents to provide a spontaneous answer to the question as to why HMRC operates the Construction Industry Scheme. Just over a third **(36%) of respondents say that CIS exists to ensure income tax gets paid.**

Tax avoidance was also mentioned by around one in ten of all respondents, with 8% saying they feel it exists *to stop construction businesses avoiding tax* and 7% saying they feel it is specifically *to prevent subcontractors from avoiding tax payments*.

Differences between contractors and subcontractors

Contractors and those businesses that perform both contracting and subcontracting roles (who, as mentioned earlier, are referred to in this report as “dual role businesses”) were more likely to say the scheme exists to *ensure income tax gets paid*: over two fifths (45% and 43% respectively)

“Well I presume it was rolled out for north east small builders who wouldn’t pay their tax and kept on working and not paying tax ... Whereas with big business everyone just sends you in an invoice, so they’re all traceable, they’re all through, even small businesses now they send you in an invoice. I don’t know perhaps if you’re actually a builder who subcontracts you might then have problems, but as for big companies I don’t really see the relevance of CIS anymore”

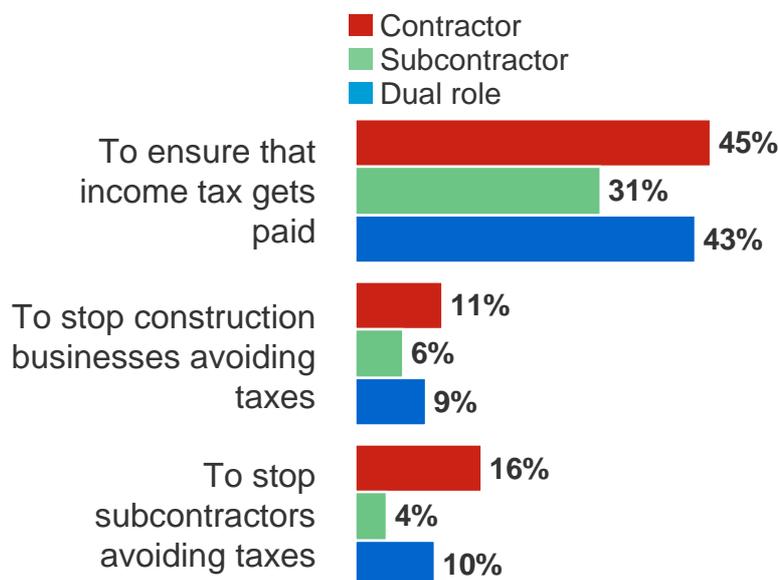
Large Contractor

of both groups list this as the top reason.

Contractors are significantly more likely to feel that CIS is primarily in place to stop subcontractors from *avoiding tax*, with 16% giving this as a reason, compared to only four percent of subcontractors. This is echoed in the qualitative work, where some larger contracting businesses felt that the scheme was primarily targeted at self-employed subcontractors who worked for cash on small, short-term contracts and was not particularly applicable to them.

Why respondents think CIS exists

I would like to ask you, in your own words, why you think that Her Majesty's Revenue & Customs operates the Construction Industry Scheme?



Base: All respondents – Contractors (836), Subcontractors (806), Dual role (891); fieldwork 22 June to 21 August 2009

Ipsos MORI



Other differences in spontaneous views

In relation to the reasons why CIS exists, there is also some variance by subgroup by attitude:

Those who feel that CIS shows that *HMRC does not trust the construction industry* are more likely to mention that the scheme exists in order *to ensure that income tax gets paid* (40% compared to 32% of those who do not feel that HMRC distrusts the construction industry).

Similarly, almost two fifths (38%) of those who think that CIS is *effective*, say that the scheme exists to ensure that *income tax is paid* (compared to 27% who feel the scheme is *ineffective*).

The businesses that CIS targets

Almost half (49%) of all those surveyed agree that *the scheme is aimed more at small businesses and the self-employed rather than larger businesses*. When considered by

sub-group, (51%) of small CIS turnover businesses agree with this statement, compared to around two fifths (38%) of large CIS turnover businesses.

Who is the scheme aimed at?

To what extent do you agree or disagree with the following statements...?

CIS is geared more towards small businesses and the self-employed rather than large businesses

■ % Strongly agree
 ■ % Tend to agree
 ■ % Neither/nor
■ % Tend to disagree
 ■ % Strongly disagree
 ■ % Don't know



Base: All respondents (2,533); fieldwork 22 June to 21 August 2009

Ipsos MORI



4.3. Trust and administrative burden

When asked to respond to a series of statements regarding trust and compliance in and of the construction industry, slightly more than half (**53%**) feel the industry is honest and disagree with the notion that *construction businesses will always find a way to avoid paying tax*. However, three in ten (30%) respondents feel that tax avoidance in the industry is inevitable.

Over two fifths (41%) of respondents feel that CIS is a *burden on the construction business*, and over half (**51%**) think that the existence of CIS shows that *HMRC does not trust the construction industry*. In addition, the majority of respondents (58%) also feel that the *scheme makes it difficult for construction businesses to avoid paying tax*.

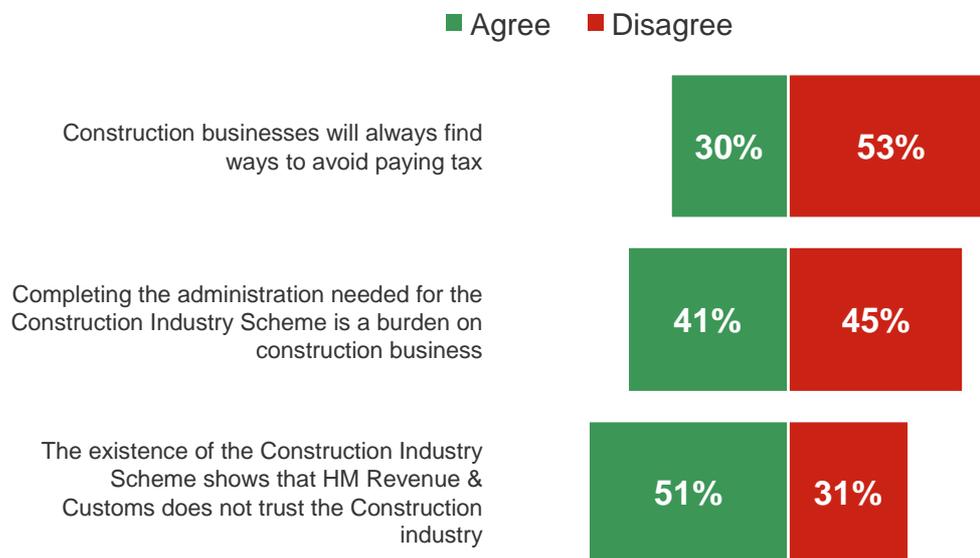
Trust

In relation to trust, many significant differences exist by sub-group:

- Contractors and dual role businesses are most likely to feel that the existence of CIS shows that *HMRC does not trust the industry*, with three fifths (60%) of both feeling CIS means a lack of trust compared to less than half (46%) of subcontractors.

Trust and administrative burden

To what extent do you agree or disagree with the following statements...?



Base: All respondents (2,533); fieldwork 22 June to 21 August 2009

Ipsos MORI



- Those respondents who feel tax avoidance is *common* in the industry also feel that CIS shows a lack of trust on the part of HMRC (60% compared to 51% of those who think tax avoidance is *uncommon*).
- Similarly, those who feel the existence of CIS shows *HMRC does not trust the industry* are also more likely to agree that *construction businesses will always find a way to avoid paying tax* (37% compared to 25% of those who do not feel HMRC does not trust the industry).
- Respondents who say that tax avoidance is common in the industry are also more likely to think that businesses *will always find a way to avoid paying tax* (53% compared to 23% of those who think it is uncommon).

Nine in ten (90%) of those who do not think the scheme shows a lack of trust in the construction industry feel confident that CIS is aiding compliance compared to three quarters (77%) of those who do feel the scheme indicates a lack of trust.

Administrative burden

Contractors and dual role businesses are more likely to say that CIS is an administrative burden, which makes sense as the majority of the administration of CIS falls on contractors. **Around half of contractors and dual role businesses (52% and 49% respectively) agree that CIS is a burden, compared to slightly over a third (35%) of subcontractors.**

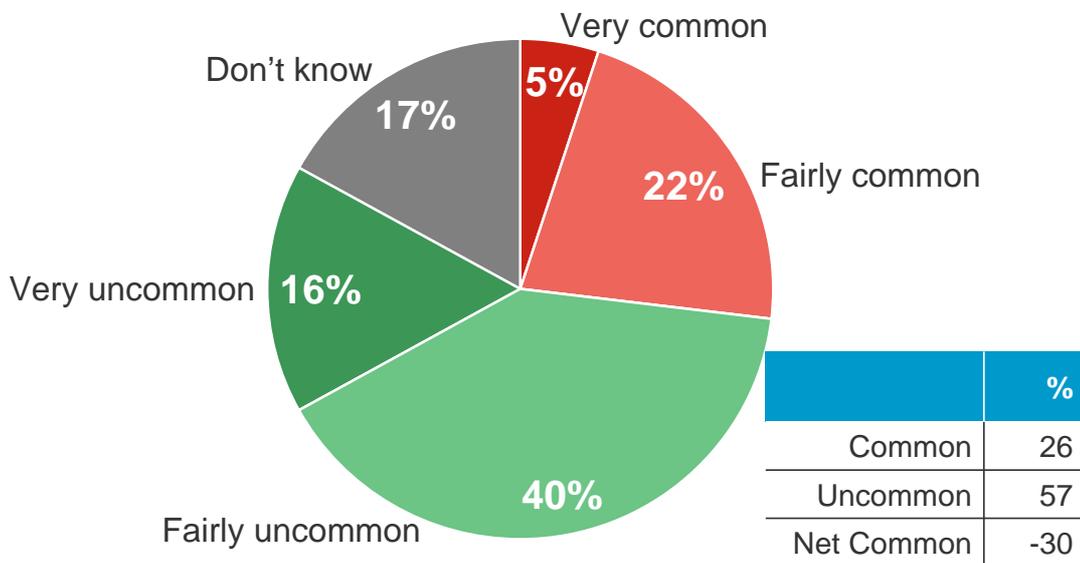
As may be expected, those who find the scheme *difficult to administer*, and those who feel *that it takes longer to complete than the old scheme* are more likely to agree that CIS is a burden (74% and 64% respectively compared to 35% who find it easy and 38% who find the new scheme quicker).

4.4. Compliance and avoidance

The headline figures on avoidance are quite encouraging: Most respondents (57%) think that it is **uncommon for businesses to deliberately avoid taxes**. However, a quarter (26%) of respondents do feel that tax avoidance is *common* for businesses working in construction³.

Perceived prevalence of tax avoidance

How common or uncommon do you think it is for businesses working in construction to deliberately avoid paying taxes?



Base: All respondents (2,533); fieldwork 22 June to 21 August 2009

Ipsos MORI



³ Please note: the combination score for common is different to that gained by adding the percentage scores for very common and fairly common as raw totals are used to recalculate the percentage. Adding percentages which have already been rounded will not produce an accurate result. Please see Chapter 3.3, p18 for further information.

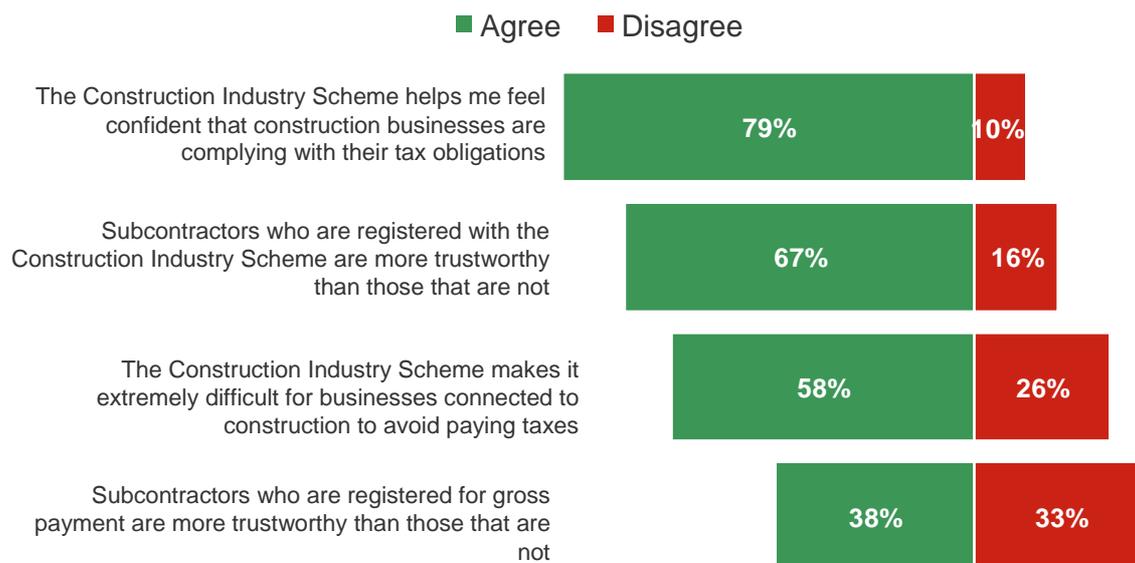
Most respondents agree that the Construction Industry Scheme is effective in meeting its goals in relation to compliance:

- Almost eight in ten (**79%**) respondents feel that **CIS makes them confident that construction businesses are complying with their tax obligations**, and
- Around six in ten (**58%**) agree that **CIS makes it extremely difficult for businesses connected to the construction industry to avoid tax**.

Indeed, being part of CIS does provide confidence to businesses operating within the industry: two-thirds (67%) of respondents agree that CIS registered subcontractors are *more trustworthy than those that are not* registered. However, opinion on the effect of Gross Payment Status (GPS) on trustworthiness is more divided as only slightly more agree rather than disagree (38% versus 33% respectively) that *subcontractors registered for GPS are more trustworthy than those who are not*.

Compliance and avoidance

To what extent do you agree or disagree with the following statements...?



Base: All respondents (2,533); fieldwork 22 June to 21 August 2009

Ipsos MORI



Subgroup views

Those who find the new scheme *quick, easy to use*, and those who *used the old scheme* are more likely to feel that new CIS makes it *extremely difficult for businesses connected to the construction industry to avoid paying tax*. Similarly, two thirds (67%) of those who feel it is *more effective than the old scheme* say they believe that *CIS makes it difficult for businesses to avoid income tax*.

Positively, confidence that CIS is aiding tax compliance is high across those in all categories and sizes of business. As may be expected, those who feel that the new scheme is *more*

effective than the old are more likely to feel confident that businesses are complying (84% compared to 72% of those who find it less effective).

Those respondents who feel that the existence of CIS indicates a lack of trust in the construction industry are most likely to say that tax avoidance is common (31% compared to 25% of those who do not think a lack of trust is indicated). This perhaps indicates that where respondents see a lack of trust they do not necessarily feel that this is unwarranted.

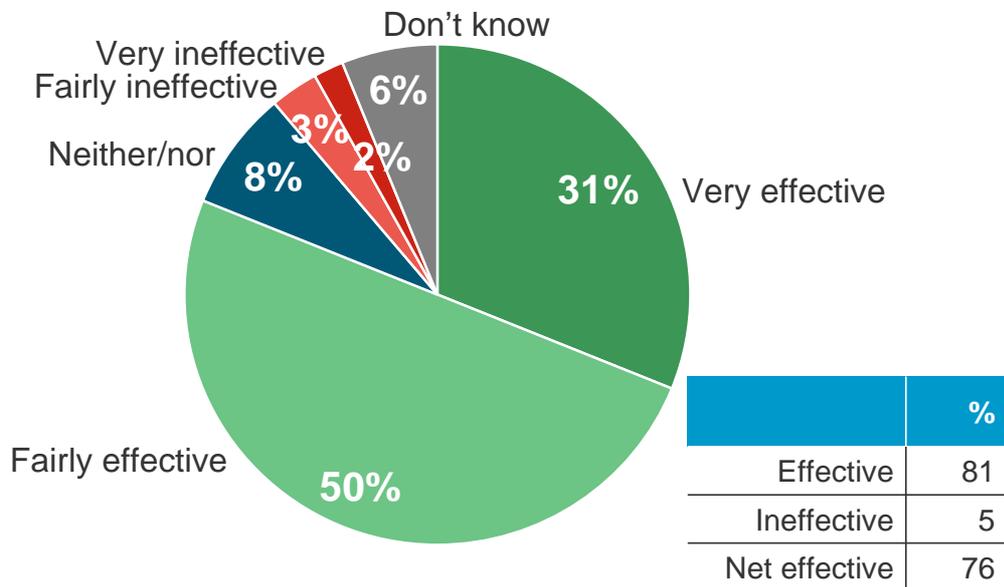
Respondents who agree that tax avoidance is *common* are more likely to agree that *subcontractors registered through CIS are more trustworthy*, with three quarters (74%) saying this, compared to two thirds (66%) of those who feel avoidance is *uncommon*. There is a similar response when analysing by Gross Payment Status; over two fifths (44%) of those agreeing that tax avoidance is a common problem say they would trust a subcontractor with Gross Payment Status more than one without, compared to 38% who think tax avoidance is uncommon.

The effectiveness of CIS

Positively over four fifths (81%) of respondents think that CIS is *effective in ensuring that construction businesses pay income tax*. Only five percent of respondents feel that the scheme is *ineffective* on this measure.

Perceived efficacy of CIS

How effective or ineffective do you think the Construction Industry Scheme is in ensuring businesses in construction pay income taxes?



Base: All respondents (2,533); fieldwork 22 June to 21 August 2009

Ipsos MORI



Those respondents who find CIS *quicker than the old scheme* are more likely to say that they find it effective (86% compared to the 68% who think that New CIS is *slower* than the old scheme). Similarly, those who think CIS is *easy to administer* are more likely to think New CIS is effective (84% versus the 63% who find it *difficult to administer*).

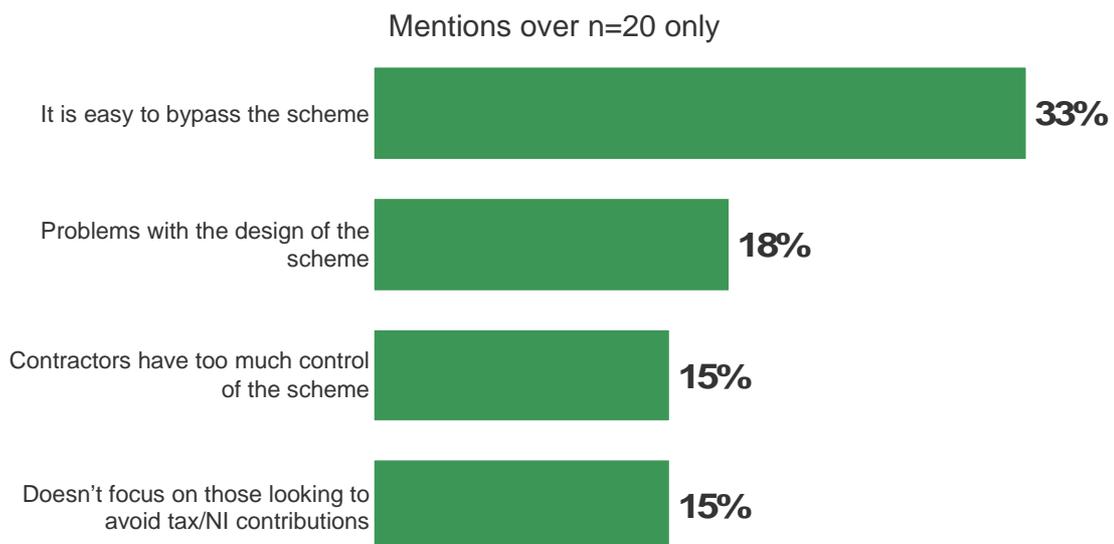
Of the small proportion of respondents who see the scheme as *ineffective in preventing income tax evasion*, a third (33%) say that this is because it is *easy to bypass the scheme*. One in five (18%) cite problems with the *design of the scheme* and 15% feel that *contractors have too much control of the process*.

"I think there's a lot of onus put on us as the company. If, all these individuals if they're not providing us with the right information then sometimes, because you can chase people and ask them for things and they don't, they don't treat it as seriously as you do ... You can chase them and say this is really important but because they don't actually have to hand over the tax themselves they don't think it's that important"

Medium Contractor

Why do respondents see CIS as ineffective?

Why do you think that the Construction Industry Scheme is an ineffective way of collecting income taxes?



Base: All respondents who feel CIS is an ineffective way of collecting income taxes (147); fieldwork 22 June to 21 August 2009

Ipsos MORI



The qualitative work allowed us to explore some of these views in more detail. Whilst respondents were unable, or unwilling, to explore in the qualitative work how they felt the scheme could be bypassed, there was a feeling that "cash in hand" transactions that were not being registered through CIS and were not being counted for tax purposes are very much still a feature of the industry.

"I've worked on huge big building sites where people are still walking on, getting the money in their hand and walking off again. It still goes on. So what the scheme is set up to eliminate still goes on"

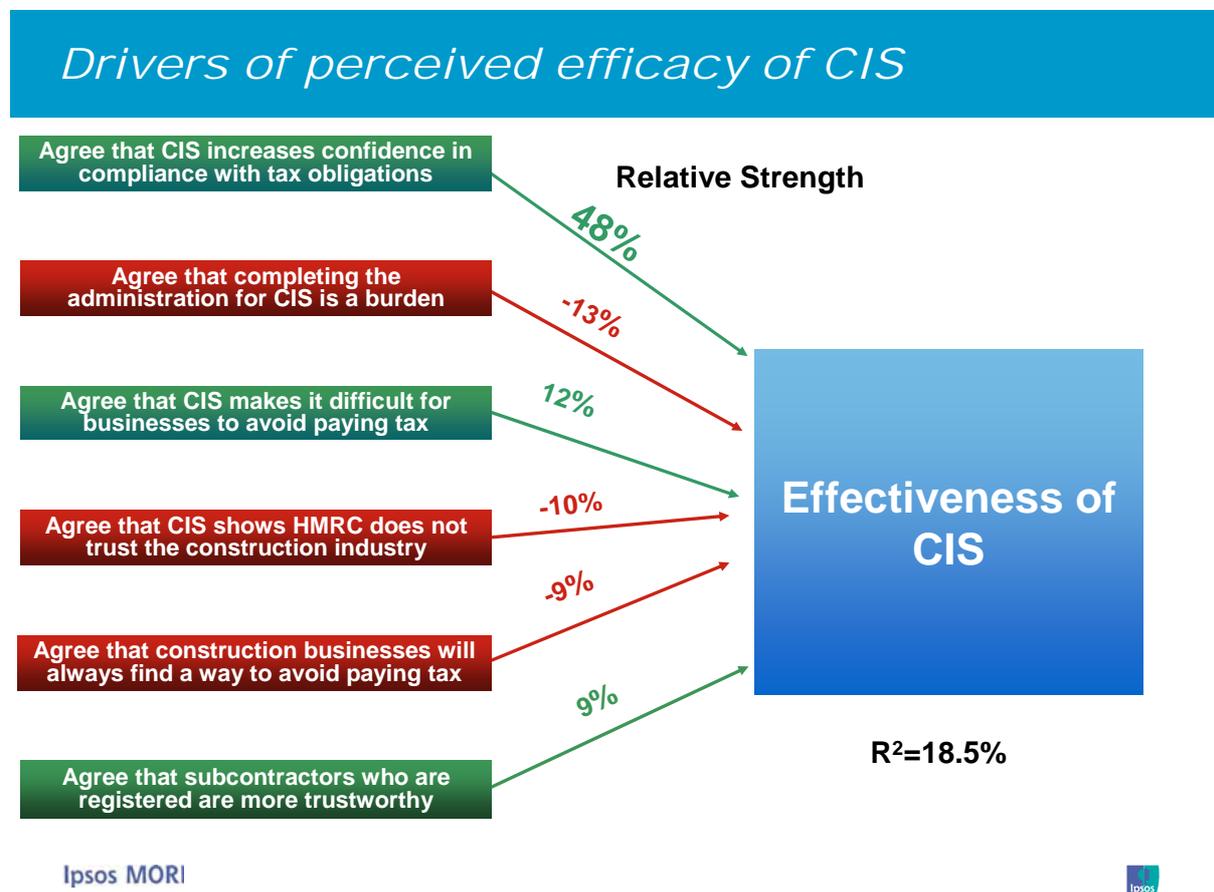
Medium Dual Role Business

4.5. Multiple regression analysis

Additional regression analysis was undertaken on the whole survey findings to look for any correlations in the data. The only statistical correlations were found when exploring what drives respondents' perceptions as to whether CIS is effective or ineffective.

The relationship is weak, the measure of this being the R^2 value of 18.5%, which means we can predict 18.5% of the change and variation in respondents' perceptions of how effective the scheme is through the other questions in the survey. This indicates that there may be other factors outside the remit of this survey which affect perceptions⁴.

Out of this 18.5% that we can predict, the figure below shows that *agreement that CIS increases confidence* is the most dominant driver of effectiveness and accounts for 48% of the model – i.e. this is the element most likely to influence perceptions. It is important to note that the figures for the 'strength' of each driver presented in the chart below are relative to each other (i.e. *agreeing that CIS makes it difficult for businesses to avoid paying tax* (12%) is four times less as influential as *agreement that CIS increases confidence* 48%).



⁴ For further information on multiple regression analysis, please see Appendix 3 for a technical note on how this was carried out.

Engaging subcontractors

5. Engaging subcontractors

5.1. Chapter overview and summary

Headline figures – required data

- 94% of contractors know they have to obtain the subcontractor's Unique Taxpayer Reference (UTR).
- 93% of contractors recognise they have to obtain the name of the subcontractor and 90% say they have to obtain that individual's National Insurance Number (NINO).
- 87% of contractors say they have to obtain the company name and 77% say they have to obtain the Company Registration Number (CRN).
- The proportion of subcontractors that say they know they need to submit each bit of data is: UTR (88%); personal name; (86%); NINO (77%); company name (80%) and; CRN (54%)

Headline figures – statements of pay and deductions

- 80% of contractors say that *they provide statements to all of the subcontractors with whom they work.*
- 67% of subcontractors say they receive statements from all of the contractors for whom they work.
- 53% of subcontractors and 64% of contractors do receive or provide statements on a monthly basis as required.
- Nearly all respondents recognise most of the details that should be included on this statement. The exceptions are the contractor's CRN, the subcontractor's UTR, and the amount spent on materials.

Headline figures – payment methods and Gross Payment Status (GPS)

- 69% of subcontractors and two-fifths (41%) of contractors say that they are paid, or pay by, BACS.
- 66% of subcontractors and three quarters (74%) of contractors say that they are paid, or pay by, cheque.
- 61% of subcontractors interviewed say that they do not have, and have never had, GPS.
- 26% of subcontractors say that they do have GPS, and 8% percent say that they had GPS in the past but do so no longer
- (82%) of respondents who have, or who have had, GPS say that having GPS makes it easier for them to run their business.

Headline figures – methods of administration and verification

- 13% of contractors manage *all* of the administration of CIS electronically.
- 49% use a *mixture of a paper based and electronic* methods
- 38% still use a completely paper based method
- Of contractors who say that they do manage some of the Construction Industry Scheme electronically over half (56%) say that they file monthly returns using CIS Online.
- 70% of contractors who file paper-based monthly returns are aware that they receive pre-populated returns from HMRC.
- 21% of contractors, who file a paper return, say that they do not receive a partially completed return from HMRC
- 65% of contractors say they verify subcontractor details using the telephone
- 36% use online verification.

- In this section, we concentrate on the information that subcontractors are obliged to provide to contractors under CIS. The point of this section is to illustrate how well the industry understands the CIS process.
- A clear theme of this section is that businesses that use electronic methods of administration find administrative tasks less onerous, and are more effective at providing the data they have to submit to HMRC. The balance between cause and effect is hard to unpick: the data do not show if the electronic methods themselves make the administration easier, or if the scheme is geared towards those who are able to use computerisation to their advantage.
- It is therefore valuable for HMRC to know which types of businesses are more likely to use electronic or paper methods because it allows the Department to concentrate its efforts on businesses that struggle with CIS. This is especially important as there may be a link between compliance and the method of administration. Those using electronic methods are more likely to pay subcontractors through BACS and to provide monthly statements of pay and deductions than those who administrate the scheme using paper methods only. Paper filers with experience of old CIS are also more likely to think that new CIS is less effective.
- There is some strong evidence that CIS is entwined with other administration for many businesses. Around a third say that they request or provide other information as part of the CIS process, including VAT data, bank details and proof of identification. Combined with the number of respondents who are still using CIS cards and certificates, the data show that some businesses are not able to separate out their CIS obligations from other administrative tasks. This point is important to subcontractors who find CIS *difficult to administer* as they are significantly more likely to say that they are required to provide additional information outside of their CIS obligations.
- **Compliant businesses also tend to be larger** when CIS turnover is used as the measure. Large businesses are far more likely to hold Gross Payment Status than

those with a small CIS turnover. Larger businesses are also more likely to recognise the details that they have to provide or collect under CIS. This implies that smaller businesses are those that have more difficulty being compliant – and this is supported from some of the other evidence: small contractors are less likely to provide statements of pay and deductions and are more likely to say they find CIS difficult to administer.

- However, HMRC is helping these smaller businesses as they are heavier users of HMRC's free online software and small CIS turnover businesses are more likely to recognise that they receive pre-populated paper forms.

5.2. Information required for the verification process

Most contractors and subcontractors are familiar with the information that subcontractors must provide to contractors when they work together for the first time (listed in the text box). The responses in the chart overleaf show the combined percentage of those who a) spontaneously say that they would provide or ask for the information and, b) those who agree that they would provide or ask for that information when prompted. Contractors display a higher level of knowledge overall about the different levels of information provided, as may be expected as they carry the majority of the administrative burden for the scheme.

Over nine in ten contractors are aware that they must ask for the *UTR*, *their name* and *National Insurance Number* of subcontractors (94%, 93% and 90% respectively) for verification purposes before engaging them to work on a job. Slightly fewer (87%) mention the *company name* and just over three quarters (77%) mention that they must receive the *CRN* of the subcontractor.

Ipsos MORI thinks this difference is likely to be because some contractors work solely with individuals rather than companies; hence they are unlikely to need to provide these details regularly.

Subcontractors are similarly aware of most of the information they should provide. Again the exception is the *CRN*, mentioned by just over half (54%) of subcontractors (with the proviso that subcontractors who are individuals rather than companies are less likely to have heard of a CRN).

Just over one third (35%) of contractors, and almost two fifths (39%) of subcontractors say they would also ask for, or provide, additional information. This is likely to be related to the fact that contractors will have their own requirements as to what information they need to collect from subcontractors upon first engaging them. Other types of information contractors request include VAT details, bank account and other financial details and proof of identification. This matches the other information that subcontractors say they are asked to provide.

In order to verify a subcontractor is registered with HMRC, contractors must obtain 3 key pieces of information from the subcontractor before engaging them on a job for the first time. Subcontractors must provide contractors with:

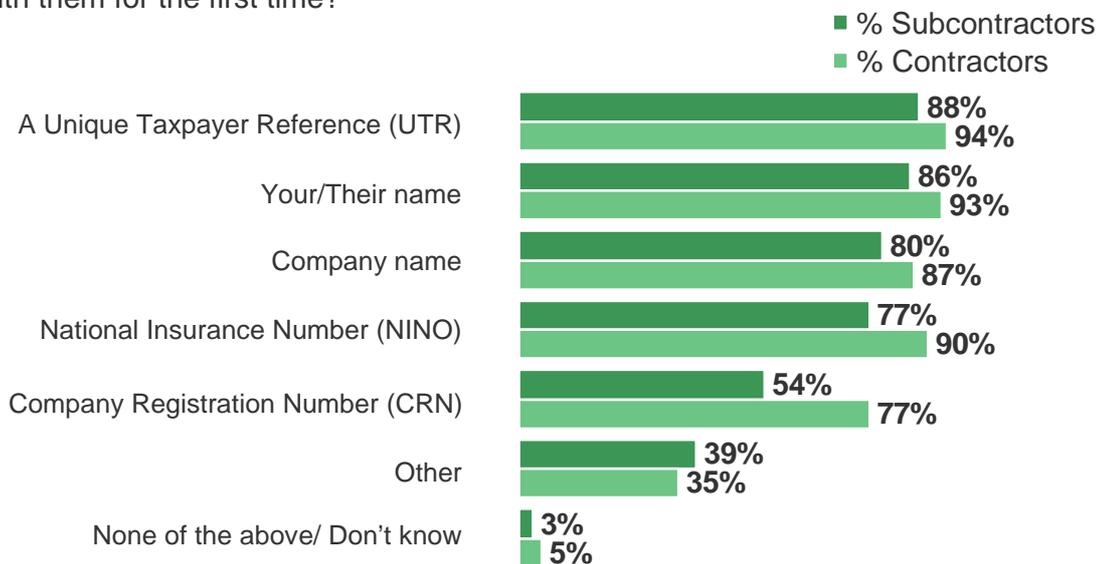
- The **name** under which they are registered on CIS (either that of an individual or of a company);
- The **Unique Taxpayer Reference (UTR)** assigned to the subcontractor by HMRC;
- The individual's **National Insurance Number (NINO)**, or the company's **Company Registration Number (CRN)**.

This indicates that whilst contractors and subcontractors are generally aware of the information obligations required under CIS, there is some degree of confusion between the information that is *specifically* required for the scheme and the general information needed by a contractor from subcontractors when they begin working together.

Almost one fifth (17%) of subcontractors and just under one in ten (9%) contractors say that they are still required to provide, or still ask for, a CIS card or certificate. As this system is no longer in use under the new scheme it is unclear whether some businesses continue to use cards issued under the old scheme or whether respondents were simply thinking of the old scheme when they answered this question (for example, some subcontractors may not have been engaged by new contractors since the change of the scheme).

Providing information when working together for the first time

What information do you have to provide to contractor businesses/ask subcontractors to provide under the Construction Industry Scheme when working with them for the first time?



Base: All respondents who work as subcontractors and administer CIS themselves (1,257); all respondents who work as contractors and administer CIS themselves (1,500); fieldwork 22 June to 21 August 2009

Ipsos MORI



Sub-group differences on data collection

Subcontractors with a larger CIS turnover are more likely to mention each of the pieces of information that they need to provide for verification, with the exception of their *own name*. Seven in ten (71%) of large turnover (greater than £500,000) subcontractors say that they would provide their name compared to almost nine in ten (89%) of small turnover (less than £100,000) subcontractors. Again, this is likely to be due to the fact they are more likely to be corporate businesses, and hence provide a company name instead. Subcontractors with a larger CIS turnover are also more likely to mention that they would provide additional information.

A similar pattern is seen among contractors, whereby those with a larger CIS turnover are more likely to say that they would ask for all of the required information than those with small CIS turnover.

Subcontractors who say they find the scheme *difficult to administer* are significantly more likely to say that they are required to provide additional information outside of their CIS obligations (46% compared to 37% who find the process easy). They are significantly more likely to believe that they are required to produce a CIS card, number or certificate (24% compared with 16% of those who say they find the scheme easy to administer). This is a critical finding because it suggests that the difficulties that some businesses face with CIS are not *because* of the scheme, but are *associated* with its operation.

Contractors who find the scheme *easy to administer* are more likely to say across the board that they ask for each of the required pieces of information. In addition, both contractors and subcontractors who were familiar with old CIS are more likely to say they are aware of the information they have to provide currently.

5.3. Monthly statement of pay and deductions

Contractors are required to provide subcontractors who are currently working for them and do not have Gross Payment Status with a monthly statement of pay and deductions under CIS. Four fifths (**80%**) of contractors say that **they provide statements to all of the subcontractors with whom they work**. In comparison, two thirds (**67%**) of subcontractors say they receive statements from all of the contractors for whom they work. The discrepancy between these responses can be explained by the one-to-many relationship between businesses; most contractors engage several subcontractors, and therefore each contractor who does not provide a statement of pay and deduction to all of the subcontractors engaged will affect multiple subcontractors.

Only six percent of contractors say that they never provide a statement of pay and deductions, with almost one in ten (nine percent) of subcontractors saying that they do not receive a statement from any of their contractors.

Of those contractors who *do not always provide statements of pay and deductions* to subcontractors (12%), it is evident that some misunderstood the question⁵. One third (33%) of those that do not provide statements to all subcontractors say that this is because they only engage those with Gross Payment Status who do not need to receive a statement of pay and deductions. However, around a fifth of those contractors **who do not provide statements to all say that they were not aware that this was a requirement of the scheme** and have never thought about providing them⁶.

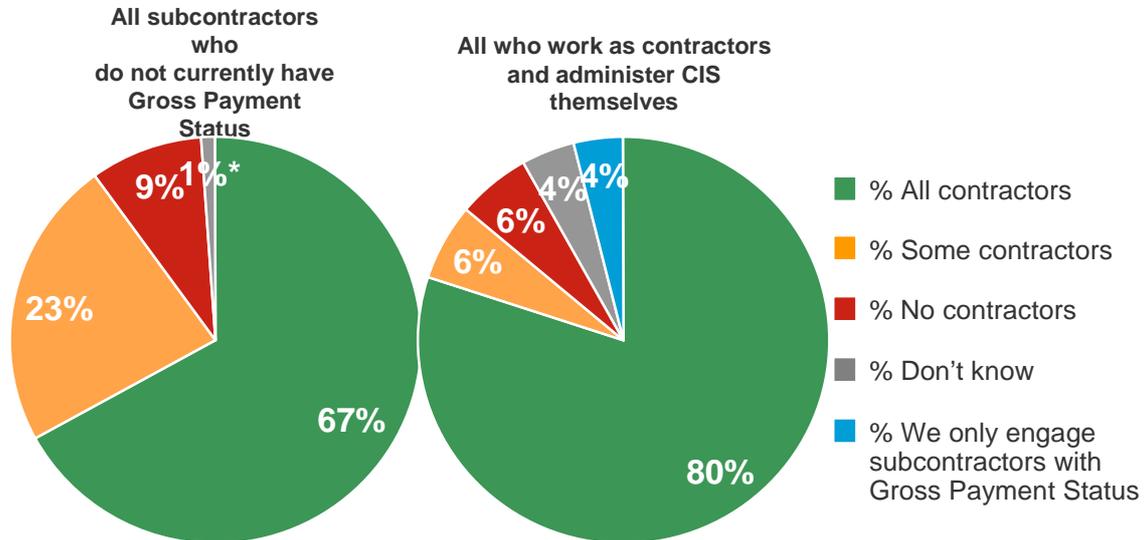
⁵ Q21: Not including subcontractors with Gross Payment Status, do you provide a statement of pay and deductions to ...?

⁶ The actual number is below our reporting threshold (i.e. cell size is less than 20). However, the point is important because, if factored up for the whole population, it does indicate that some contractors are not aware of their obligations, which has clear implications for HMRC.

Statements of pay and deductions

Do you receive a statement of pay and deductions from.....?

Do you provide a statement of pay and deductions to.....?



Base: All subcontractors who do not currently have Gross Payment Status (789)
 All respondents who work as contractors and administer CIS themselves (1,500)
 Fieldwork 22 June to 21 August 2009

Ipsos MORI



Sub-group differences in the provision of a statement

Small turnover subcontractors are more likely to say that they receive a statement from *all* contractors, with seven in ten (70%) saying this compared to just over half (53%) of medium turnover subcontractors – perhaps because smaller subcontractors are less likely to work for more than one contractor⁷.

Administrative method and burden can also affect whether a statement is issued:

- Contractors who are using a completely *paper based system of administration* for CIS are more likely to say that they do not issue a statement of pay and deductions to any of their subcontractors - one in ten (10%) of those using a paper based system say this, compared to only six percent of the total.
- Those contractors who find the scheme *easy to administer* say that all of their subcontractors are provided with statements (82% compared to 73% of those who find the scheme *difficult to administer*).

The frequency with which statements are provided

Under CIS, contractors are obliged to provide a statement of pay and deductions each month. As shown in the chart below over one in ten (13%) subcontractors who receive statements and six percent of contractors who send statements say that this occurs on a

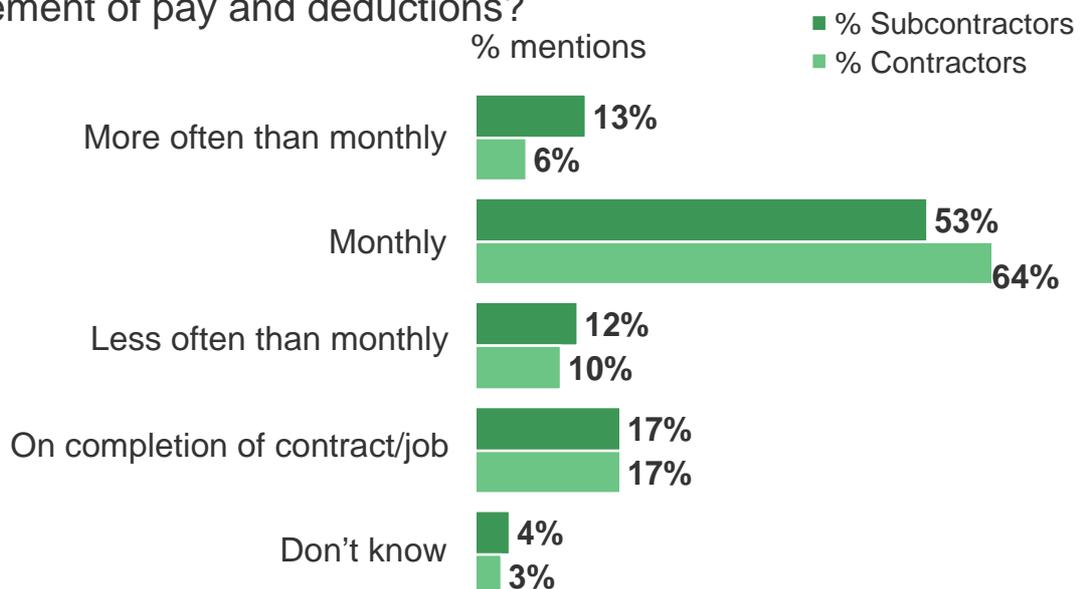
⁷ See p58-9 for further details on the number of contractors subcontractors say they typically work for in a year.

more frequent basis. The majority (53% of subcontractors and 64% of contractors) do provide or receive statements on a monthly basis as required.

There are a significant minority (17% of both subcontractors and contractors who receive or provide statements) who say that this occurs on the completion of a job rather than at regular intervals. This is supported by the qualitative work, which reveals that providing monthly statements can increase the administrative burden, as it does not always fit in with business processes. Providing statements on a monthly, rather than a job by job basis can particularly affect the short-term flexibility of engaging subcontractors. Other respondents mentioned that some jobs last less than a month, and hence a statement on completion made more administrative sense to them.

Statements of pay and deductions

How often do contractors usually provide you with a statement of pay and deductions?



Base: All subcontractors who receive a statement of pay and deductions (702); all contractors who do provide statements of pay and deductions (1279) fieldwork 22 June to 21 August 2009

Ipsos MORI



Over three quarters (78%) of contractors who administer CIS electronically say that they provide a monthly statement to subcontractors. This is significantly higher than the one in six (59%) who administer CIS through a purely paper based system. Those contractors who find CIS difficult to administer are more likely to say that they provide a statement on completion of a job (29% compared to 15% of those who say they find the system easy to administer). Weighing up all the other evidence, Ipsos MORI thinks this suggests contractors that use electronic methods of administration find it easier to provide frequent statements because they can automate the process. It also suggests that providing statements on the completion of a job may be done more frequently than each month – so contractors who complete lots of very short term contracts (less than a month) can end up doing more administration as they have more statements to deliver. If this is coupled with paper-based methods of working, the burden could be high for these businesses.

Information provided on statements

The statement provided by contractors to subcontractors under new CIS must include seven pieces of information:

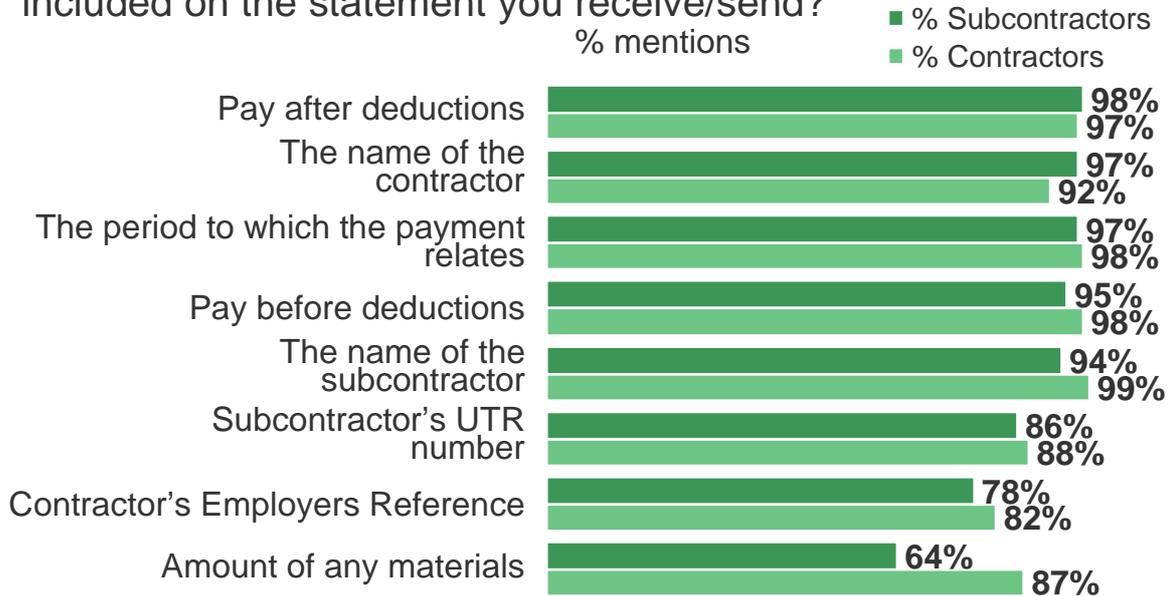
- The contractor's name and employer's reference;
- The month to which the payment relates;
- The subcontractor's name and UTR;
- The total amount of the payment;
- The amount of materials;
- The amount of the deduction;
- If the subcontractor is not registered with HMRC, the verification reference.

As seen in the chart overleaf, most respondents say they provide or receive each one of the elements mentioned in isolation. There is very little difference between the information that contractors and subcontractors report as being included in the statements.

There are very few variations on information provided on statements of pay and deduction between the different subgroups. Those contractors with a large CIS turnover are more likely to include their Employer's reference (88% compared to 81% of small turnover contractors) and the amount of any materials (94% compared to 85% of small turnover contractors).

Providing information on statements of pay and deduction

Which of the following pieces of information are normally included on the statement you receive/send?



Base: All subcontractors who receive a statement of pay and deductions (702); all contractors who do provide statements of pay and deductions to subcontractors (1,279); fieldwork 22 June to 21 August 2009

Ipsos MORI

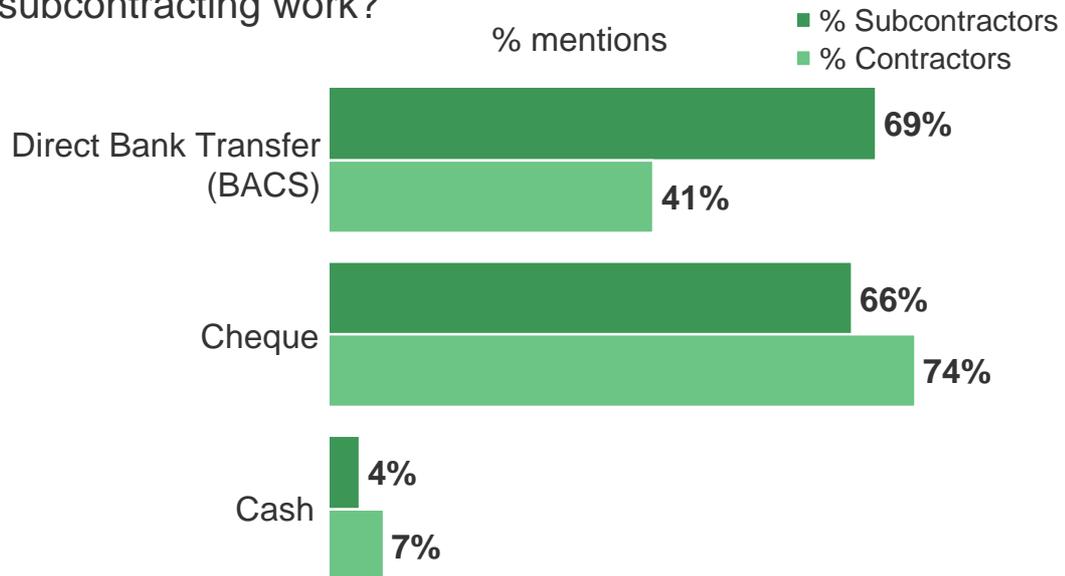


5.4. Payment status and methods of payment

Direct bank transfer (BACS) and *cheque* are the most common methods of payment, with seven in ten (**69%**) **subcontractors** and **two-fifths (41%) of contractors** saying that they are paid, or pay by, BACS, and two thirds (**66%**) of subcontractors and three quarters (**74%**) of contractors saying that they are paid, or pay by, cheque. Less than one in ten contractors and subcontractors say that they complete a *cash* transaction (seven percent and four percent respectively). In relation to the aims of CIS, this finding is encouraging as cash transactions are more open to fraud than cheque and BACS payments, which get processed through the banking system.

Methods of payment

How do contractors pay you/How do you pay subcontractors for subcontracting work?



Base: All respondents who work as subcontractors and administer CIS themselves (1,257), All respondents who work as contractors and administer CIS themselves (1,500); fieldwork 22 June to 21 August 2009

Ipsos MORI



Significant sub-group differences

Medium and large turnover contractors and subcontractors are more likely to say that they use *BACS*, whereas smaller contractors, particularly, are more likely to use either *cash* or *cheque*. Those subcontractors who have Gross Payment Status are more likely to say that they are paid by *BACS* than those who do not have Gross Payment Status (83% compared to 64%).

Those subcontractors who find the scheme *difficult to administer* are more likely to be those who say that they are paid in cash. Of this group, nine percent say they use cash transactions compared to just three percent of those who find CIS *easy to administer*.

As would be expected, contractors who use an *electronic administration system* for the scheme overall are more likely to use *BACS* than those who administer using *paper-based methods*; two thirds (67%) of the former compared to 22% of the latter.

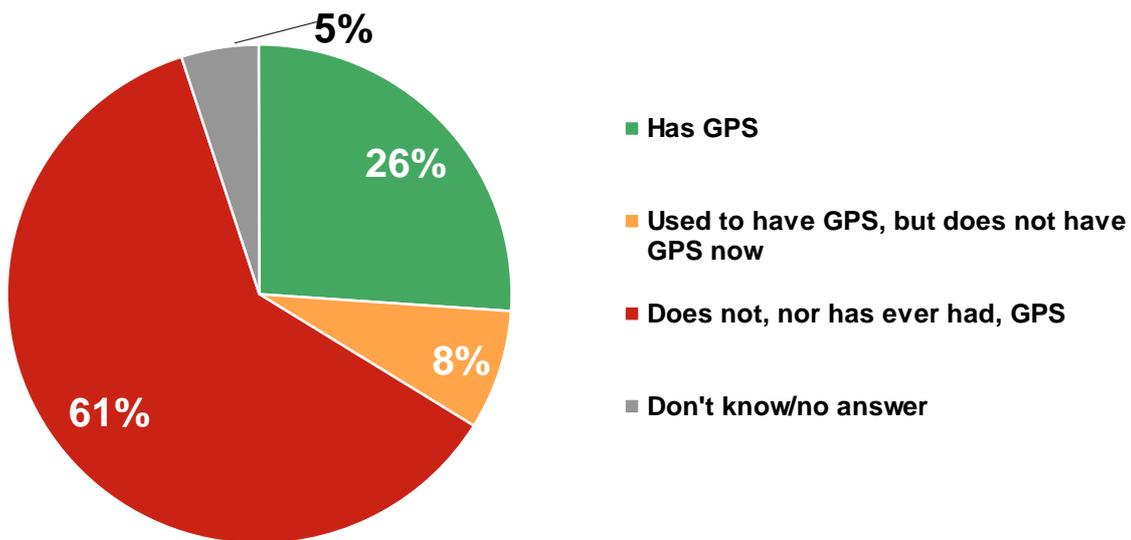
5.5. Gross Payment Status (GPS)

Businesses with a good tax compliance record and a turnover above a certain threshold can apply for Gross Payment Status (GPS) which, if granted by HMRC, allows the subcontractor to be paid for construction operations without any deductions on account of tax. HMRC were keen to use this research to explore whether GPS has any effect on whether a contractor would engage a subcontractor, and what effect the loss of GPS could have on a business.

Over six in ten (**61%**) of subcontractors interviewed say that they do not have, and have never had, GPS. Slightly over a quarter (**26%**) say that they do have GPS, and just eight percent that they had GPS in the past but do so no longer.

Gross Payment Status

Do you currently have, or have you had in the past, Gross Payment Status under the Construction Industry Scheme?



Base: All respondents who work as subcontractors and administer CIS themselves (1,257); fieldwork 22 June to 21 July 2009

Ipsos MORI



What types of businesses have GPS?

GPS is the preserve of large CIS turnover businesses; seven in ten (70%) large subcontractors say they currently have GPS compared to 15% of businesses with a small CIS turnover. Almost three quarters (73%) of those with a small CIS turnover say *they do not have and have never had GPS*, compared to only a third (34%) of those with a medium CIS turnover. When looking at those subcontractors who say that they *had GPS in the past but do so no more*, no statistically significant differences were found when analysing by the size of the CIS turnover

Subcontractors who also carry out contractor functions (dual role businesses) are also more likely to have GPS: almost half (47%) of these say they currently have GPS compared to 14% of those who work solely as subcontractors.

By its nature, Gross Payment Status is given to businesses that enjoy a compliant tax history with HMRC, which may explain why three quarters (75%) of those subcontractors who did not work under old CIS say they *do not and have never had GPS*, compared to less than one in six (57%) of those who have worked under the old CIS. Those who find the scheme takes more time than it used to are also likely to be working without Gross Payment Status (63% compared to 51%).

Interestingly, those subcontractors who agree that *CIS shows that HMRC does not trust the construction industry* are also more likely to be those who have GPS granted by HMRC (29% compared to 21% of those who disagree that this is the case). Over two thirds (68%) of those who find the new scheme *less effective than the old scheme* do **not** have GPS, compared to only 50% who find the new scheme to be *more effective*.

Notifying businesses about the loss of GPS

Of those respondents who have previously had GPS, but no longer have this status, over two fifths (44%) say that they were notified of the change in status *through a letter*. One fifth (20%) of respondents who previously had GPS but no longer have this status say that they were *not notified* of the change in payment status of their business.

Dual role businesses are more likely to say that they heard of the change of status through receiving a letter (61% compared to 35% of those who operate only as a subcontractor).

The impact of GPS

As discussed in Chapter 4 of this report, although there is a large impact on the perceived trustworthiness for subcontractors who are registered under the CIS scheme, GPS has less of an impact on the same measure. To reiterate the earlier points made:

- Almost seven in ten (69%) of contractors and 67% of all respondents agree that subcontractors who are registered with the CIS scheme are more trustworthy.
- However, less than two fifths (39%) of contractors (and 38% of all respondents) feel that subcontractors registered for gross payment are more trustworthy than those that are not.

The rest of this section considers subcontractor views on the impact of GPS as the majority of questions on Gross Payment Status were posed only to subcontractors.

HMRC are particularly interested to understand whether GPS has an impact on the ease with which subcontractors can win contracts. Over half (56%) of subcontractors who currently have, or have at some point had, GPS think that contractors are more likely to engage them because of their status. It is, however, important to remember that large CIS turnover businesses are far more likely to hold GPS. Three fifths (60%) of those who have GPS think that this makes a difference, compared to only two fifths (42%) of those who have lost GPS.

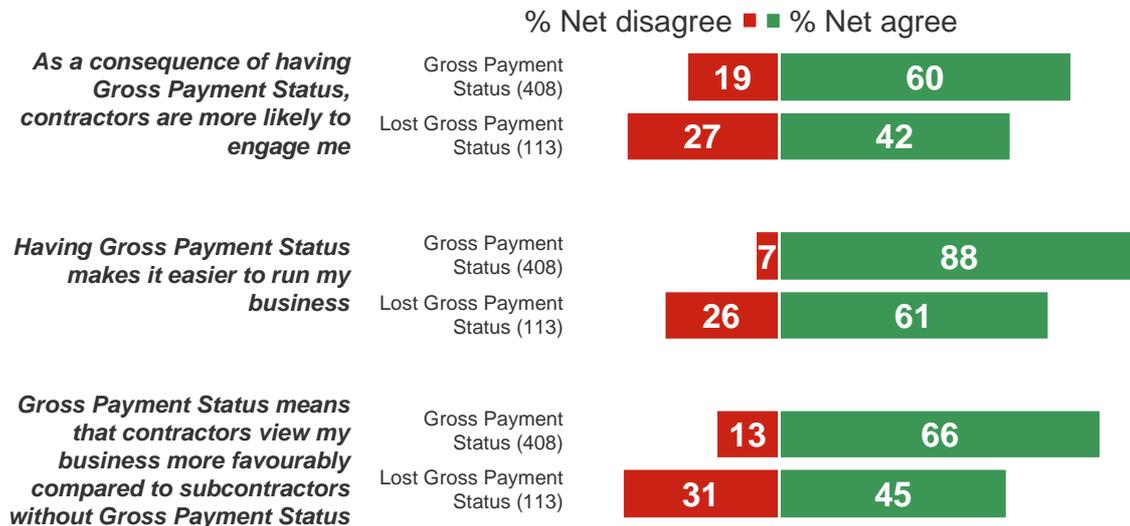
Over four fifths (82%) of respondents say that having GPS makes it easier for them to run their business. Again, the perception of this is much greater amongst those who currently have GPS (88%) than amongst those who have lost GPS (61%).

Three fifths (61%) of subcontractors feel that contractors view their business more favourably if they have GPS, with two thirds (66%) of those with GPS, and just over two fifths (45%) of those who have lost GPS agreeing that those with GPS are viewed more favourably by contractors.

It is clear, therefore, that whilst subcontractors do feel that having Gross Payment Status does affect the way that they are seen by contractors, this perception is greater amongst those who have GPS than it is amongst those who have lost GPS. This is supported by the qualitative work, in which subcontractors did feel that not having GPS could be prejudicial to their business but most were unable to provide any concrete examples of when this had occurred as they worked with contractors with whom they already had a strong trust relationship.

Those that still have GPS think it makes a difference

Thinking about your business, to what extent do you agree or disagree with the following statements about Gross Payment Status.....?



Base: All subcontractors who have, or have had Gross Payment Status (521); fieldwork 22 June to 21 August 2009

Ipsos MORI



Those respondents who have experience of using the old CIS are more likely to perceive that *having GPS makes it more likely that contractors will engage them*, with almost three fifths (58%) saying this compared to 56% of the total number of subcontractors. This possibly reflects the fact that the former are more likely than the latter to be positive about all aspects of GPS, and that those with a long-standing relationship with HMRC (i.e. many of those who have experienced old CIS) are more likely to have Gross Payment Status.

Dual role businesses are more likely to agree that *GPS makes it easier to run their business* than those that are solely subcontractors (87% compared to 74% respectively). This is also the case for those businesses with a large CIS turnover (91% agree compared to only 77% of those with a small CIS turnover).

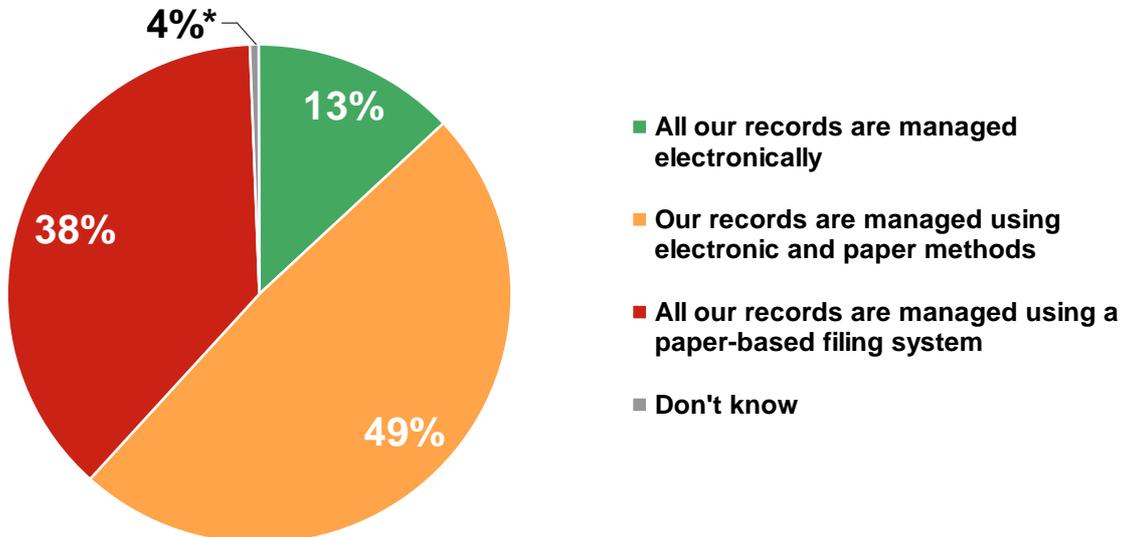
5.6. Methods of administration

Contractors, who manage the bulk of the administration of the scheme themselves were asked what business processes they have in place to manage CIS. The option of filing online monthly reports was introduced as part of the new scheme in 2007. Whilst it is known that this is a popular option of filing returns, with 56% of respondents saying they now file their CIS returns online, HMRC are interested to find out whether this change has reduced the time it takes contractors to administer the scheme.

Only **13% of contractors manage all of the administration of CIS electronically**. Almost half (**49%**) use **a mixture of a paper based and electronic methods**, whilst almost two fifths (**38%**) still use a completely paper based method.

Methods for managing administration

Which of the following best describes your business's approach to administering the Construction Industry Scheme?



Base: All respondents who work as contractors and administer CIS themselves (1,500); fieldwork 22 June to 21 July 2009
Ipsos MORI



There are some differences in the way different groups of contractors manage CIS records:

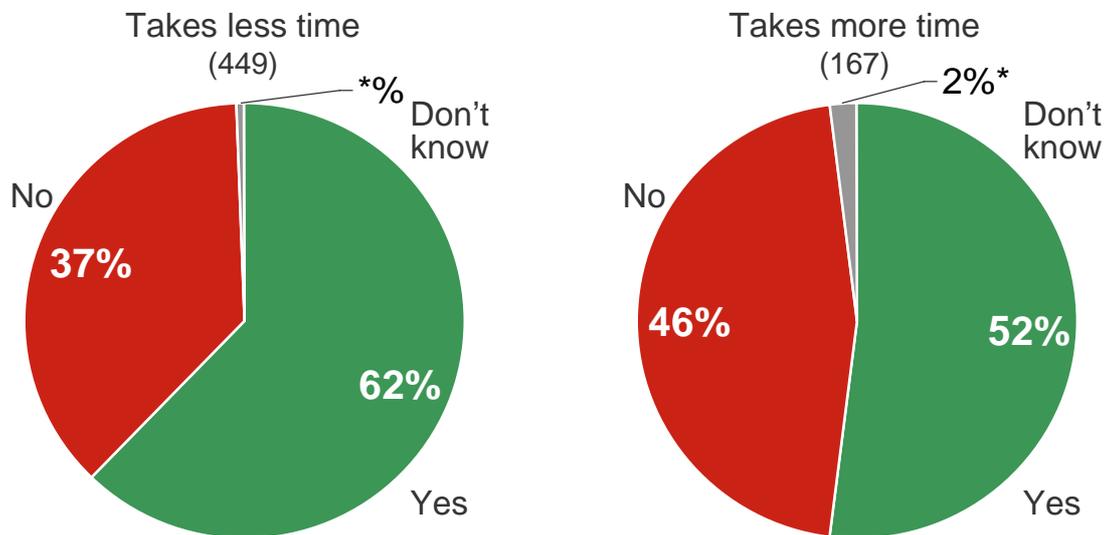
- Those businesses that are both contractors and subcontractors are most likely to use a *mixture of methods*, with over half (51%) saying this, compared to 44% of those who function solely as contractors.
- Those businesses with a larger CIS turnover are more likely to use a *completely electronic system*, with a fifth (20%) using a paperless approach compared to just over one in ten (11%) of businesses with a small CIS turnover.
- Contractors with experience of using the old system are the most likely to still use a *completely paper based* administration system (40% compared to 30% of those who have no experience of the old CIS).
- Half (50%) of those who think the new scheme takes more time than the old scheme also say they are only using a *paper-based system* (compared to 34% of those who find the new scheme takes less time than the old scheme).
- Over half (52%) of those who think the current scheme is less effective also say they use a *paper based system*, compared to only a third (33%) of those who think the current scheme is more effective.

Using CIS Online

Of contractors who say that they do manage some of the Construction Industry Scheme electronically over half (**56%**) say that they file monthly returns using CIS Online, the HMRC online portal for filing CIS returns. Two fifths (41%) of those who do some electronic administration do not use CIS Online.

Online administration

You said that you manage at least some of the Construction Industry Scheme administration electronically. Do you use 'CIS Online' to file your monthly returns?



Base: All contractors who manage at least some CIS administration electronically and it say it takes less time (449); All contractors who manage at least some CIS administration electronically and it say it takes more time (167); fieldwork 22 June to 21 August 2009

Ipsos MORI

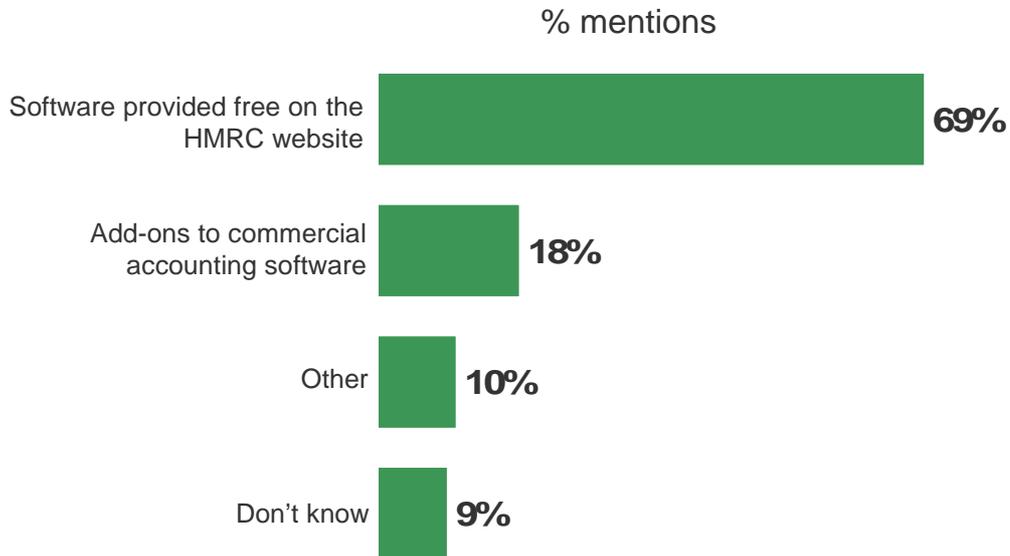


Contractors who find the current scheme *more effective*, and those who *verify subcontractors online* are all more likely to say that they use CIS Online.

The most popular method of filing through CIS Online is via the *free software provided on the HMRC website*; this is mentioned by almost seven in ten (69%) contractors who file online. Almost a fifth of contractors who file online (18%) use *add-ons to a commercial accounting software package* such as Sage.

Methods of filing online

Which of the following methods do you use to file online?



Base: All contractors who file monthly returns using CIS online (500); fieldwork 22 June to 21 August 2009

Ipsos MORI



Contractors that file online with a small CIS turnover are the most likely to say that they use the *free software available from HMRC*. Over three quarters (76%) of this group use HMRC software compared to 64% of contractors with a large CIS turnover. Large CIS turnover businesses are more likely to use *an add-on to a commercial accounting package* (27% compared to 18% of the total). This is a good example of HMRC providing help for smaller businesses.

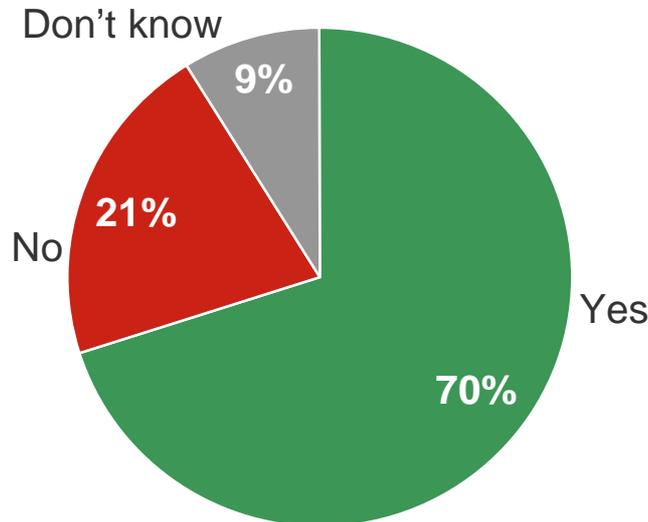
Paper-based administration

For those contractors who file their monthly returns on paper, HMRC has attempted to streamline the process by introducing pre-populated paper returns. The forms are sent to the contractors populated with the details of subcontractors who were verified under the scheme in the previous three months. If the subcontractor is not shown as paid on the form submitted that month, and no payments are made in the following two months, they will then drop off the pre-populated form.

Seven in ten (70%) of contractors who file paper-based monthly returns are aware that they receive pre-populated returns from HMRC. There are, however, still over a fifth (21%) of contractors, who file a paper return, who say that they do not receive a partially completed return from HMRC.

Pre-populated returns

You said that you manage at least some of the Construction Industry Scheme administration manually, using paper records. Does HM Revenue & Customs send you partially completed paper tax-returns?



Base: All respondents who manage at least some CIS administration on paper (1,313); fieldwork 22 June to 21 August 2009
Ipsos MORI



How does this finding differ by contractor?

Those employed in an office manager, financial or general administrator role are most likely to say that they receive a partially completed form, with almost eight in ten (79%) saying so, compared to less than two thirds (65%) of tradespeople. Those who are familiar with old CIS are also more likely to say they receive the form than those who are not familiar with the previous scheme (73% compared to 59%) perhaps indicating that those who were not familiar with the form before do not recognise the additional aid they are given by HMRC under the new scheme.

5.7. Verifying subcontractors with HMRC

Before engaging a subcontractor to work for them for the first time contractors must first verify whether or not that subcontractor is registered with HMRC, and if so whether that subcontractor has Gross Payment Status (GPS). The new scheme allows contractors to verify online and by telephone. The old CIS cards and certificates were withdrawn.

Telephone is the most popular method for verification, with almost two thirds (65%) of contractors saying that they use this method. Over one third (36%) use online verification⁸.

Of those who feel the new scheme takes more time than the old scheme, almost three quarters (72%) say that they use telephone verifications, whilst less than two thirds (63%) of

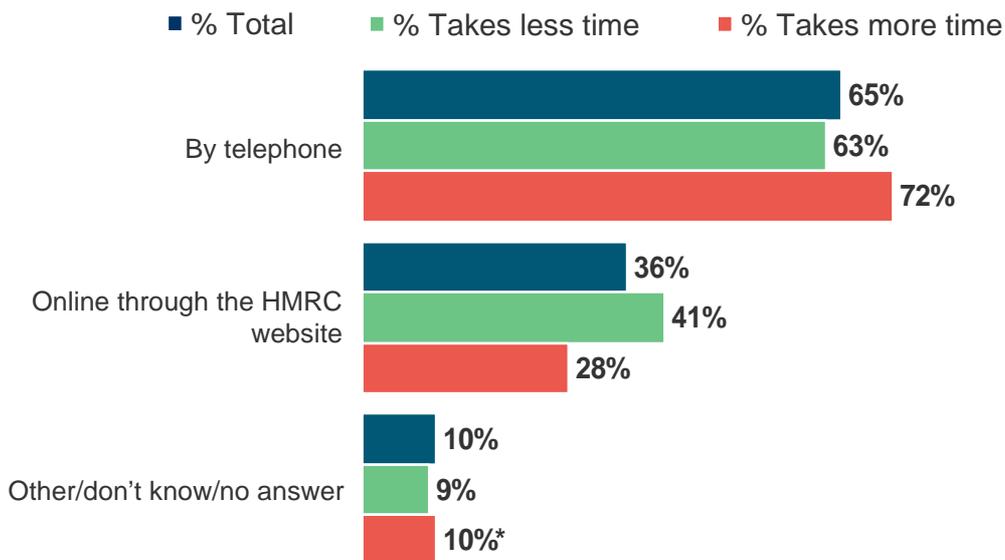
⁸ Please note that respondents were allowed to give as many answers as applied to this question, as it is possible that respondents use more than one form of verification.

those who find the new scheme is quicker say they would verify on the telephone. However, two fifths (41%) of those who find the new scheme quicker say that they verify online, compared to less than three in ten (28%) of those who think the new scheme is slower.

Thus whilst more contractors who felt the new scheme was quicker said they were using at least some electronic methods, using online verification is mentioned by more contractors who believe the scheme is in fact slower than it was in the old incarnation. The qualitative element of fieldwork is able to provide some further information in this area. Whilst contractors were on the whole very happy with the advent of electronic methods of filing and verifying in CIS, it was noted that sending and accessing data through the HMRC web portal could be, at times, very slow, and could require leaving a computer running for a significant amount of time, with some contractors mentioning that it could take hours at busy times to return a result. However, in discussion with HMRC, the authors note that online methods allow for a large number of subcontractors to be verified in one go, so for larger contractors, the electronic method can save time.

Methods of verification

Which of the following methods do you use to verify if subcontractors should be paid with or without a deduction?



Base: All respondents who work as contractors and administer CIS themselves (1,500); Contractors who say it takes less time (708); Contractors who say it takes more time (350); fieldwork 22 June to 21 August 2009

Ipsos MORI



Those who verify online are more likely to be large CIS turnover businesses (54%), dual role businesses (39%) and those who find the current scheme more effective than the old scheme (45%) compared to the total of 36%.

The changing face of CIS

6. The changing face of CIS

6.1. Chapter overview and summary

Headline figures – time spent administering CIS

- On average businesses spend around three and a half hours per month administering CIS.
- The modal time spent on administration each month is up to 30 minutes, with over a fifth (21%) of respondents saying that they spend up to half an hour per month on CIS.

Headline figures – ease of administration

- 80% of respondents describe CIS as *easy* to administer, with over one fifth (22%) saying that they find the scheme *very easy*.
- Almost a third (32%) of respondents who describe CIS as difficult to administer cite the reason as having *too many complicated forms to fill in*.
- 43% of tradespeople say this compared to 22% of those who work in other job roles.

Headline figures – employment status

- 50% of contractors agree that they *think more about the working terms and conditions of workers* following the introduction of the employment status declaration.
- On average subcontractors say that they have worked for *four contractors in the last year*.

Headline figures – comparison with old CIS

- 75% of respondents currently working under CIS also have experience of working under the old system.
- 65% of respondents agree that *the new scheme is simpler to administer than the old scheme*.
- 57% of respondents agree *that the administration for the new scheme takes less time per month to complete* than old CIS.
- Of those who say the time they have spent administering the scheme has decreased under the new scheme, 48% say that they spend *half the time or less than half the time* on the scheme.

- In this section, we explore how CIS has changed since 2007, and the effect this has had on businesses in relation to the time it takes to administer CIS.

- The amount of time spent administering CIS is, for most, quite small. Indeed some (especially subcontractors) say it does not take them any time at all. There is a relationship with size of CIS turnover – **larger businesses spend more time administering the scheme**. This is to be expected as the likelihood is that these businesses will engage more subcontractors. This also helps explain the apparent contradiction that those using electronic methods spend more time administering the scheme than those using paper based systems, as:
 - larger businesses are more likely to use electronic methods and,
 - the more subcontractors that are used, the more likely it is for businesses to need to do their administration efficiently

Hence, larger businesses simply have a lot more actual administration to do so are more likely to need electronic methods to administer the scheme.

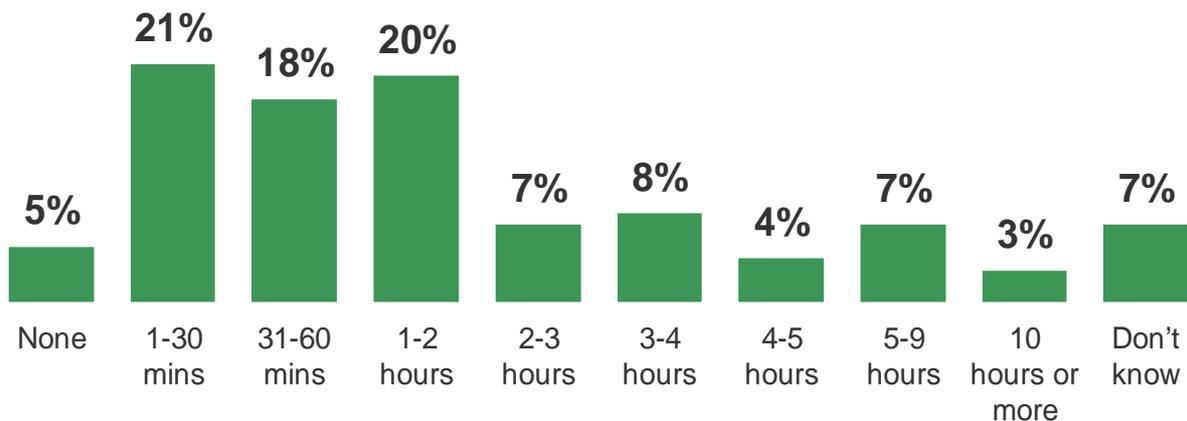
- Critically, smaller businesses do find it more difficult to administer the scheme. This is important because there are more of these.
- Job role also plays a crucial part. Of those that say they find CIS difficult to administer because *there are too many complicated forms to complete*, 43% are tradespeople (builders, joiners, electricians, etc) compared to just 22% who describe themselves having a more administrative or managerial role in the business. As discussed in Chapter 4 (p37) with regard to the information required by contractors and provided by subcontractors, there is a suggestion that all HMRC requirements are viewed as the same administrative burden, and that this does not relate to the *process* of the scheme but rather to the *associations* such as, for example, tax administration as a whole.
- Although half of the contractors think that the employment declaration has made them think about the status of their workers, the declaration itself has caused a quarter of them to take action, which is mostly to increase their use of subcontracting.
- There is some difference in the effect of the employment status declaration based on the CIS turnover of a business. Small subcontractors are more likely to have switched to solely using subcontractors; whereas large businesses are more likely to say that their business now has a larger proportion of permanent employees.
- Although those with experience of using the old scheme are generally positive about new CIS, subcontractors and businesses with a small CIS turnover are most likely to agree that *old CIS was more effective at preventing income tax evasion than the new scheme*.

6.2. The time taken by administration

On average businesses spend around three and a half hours per month administering CIS. There is, however a large difference in the times reported, with five percent of respondents saying they do not spend any time at all administering CIS and three percent saying that the process takes them more than ten hours. It can be helpful, where the distribution is spread across such a large time period, to also look at the most common response. The modal time spent on administration each month is up to 30 minutes, with over a fifth (21%) of respondents saying that they spend up to half an hour per month on CIS. A similar proportion (20%) spend between one and two hours per month administering the scheme.

Time taken to administer the scheme

Thinking about all the things we have just discussed, how long does it take you to complete all the administration needed for the Construction Industry Scheme in a typical working month?



Base: All respondents who administer CIS internally (2,019); fieldwork 22 June to 21 August 2009

Ipsos MORI



Differences by business profile

It is also worth noting that responses are skewed towards the lower end of the range, meaning that most businesses are not spending a large amount of time per month to administer CIS. However, subcontractors make up a significantly larger proportion of those saying that they do not need to spend any time administering the scheme, with eight percent saying it does not take them any time, compared to only five percent of all respondents. These businesses are also more likely to be those with a small CIS turnover, with six percent of small turnover businesses saying they spend no time on CIS administration compared to no large turnover businesses.

Those who work as contractors are significantly more likely to say that they spend up to half an hour per month on CIS administration, with over a quarter (27%) of contractors taking this

amount of time compared to around one in five of those who work as subcontractors and dual role businesses (19% and 20% respectively).

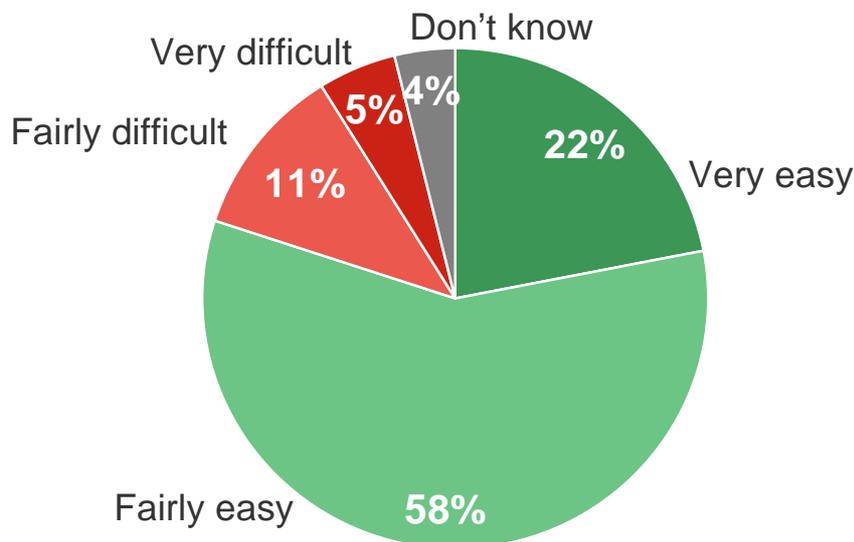
In general businesses with a larger CIS turnover are more likely to be those businesses reporting that they spend in excess of five hours per month in the administration of CIS.

6.3. The ease of administering CIS

Four fifths (80%) of respondents describe CIS as easy to administer, with over one fifth (22%) saying that they find the scheme very easy. However, 16% of respondents say they would describe the scheme as *difficult* to administer, with five percent saying that they find it *very difficult*.

Ease of administering the scheme

Overall, would you describe the Construction Industry Scheme as easy or difficult to administer?



Base: All respondents who administer CIS internally (2,019); fieldwork 22 June to 21 August 2009

Ipsos MORI



There are several significant differences between businesses in relation to ease of administration:

- *Large CIS turnover contractors* (92%) and *large and medium CIS turnover dual role businesses* (both 88%) are most likely to say that they find the scheme easy to administer compared with just over three quarters (76%) of *small CIS turnover subcontractors*.
- Compared to *subcontractors*, *dual role businesses* are the most likely to say that they find the process easy (83% dual versus 78% subcontractors).
- Those businesses with a *small CIS turnover* are the most likely to say they find the scheme *difficult* to complete, with almost one fifth (18%) describing it as difficult, compared to just over one in ten (11%) of both *large and medium CIS turnover*

businesses. It is important not to confuse the issue of time to complete with difficulty to complete – large businesses tend to take more time, but find it easier because, as we have noted, it is likely that they have more administration to do.

- Those respondents who *used the old CIS* and those who agree *the current system takes less time than the old system* are more likely to describe the new scheme as easy to administer (82% and 91% respectively compared to 77% of those *not familiar with old CIS* and 67% who *think the new scheme takes longer to administer*).

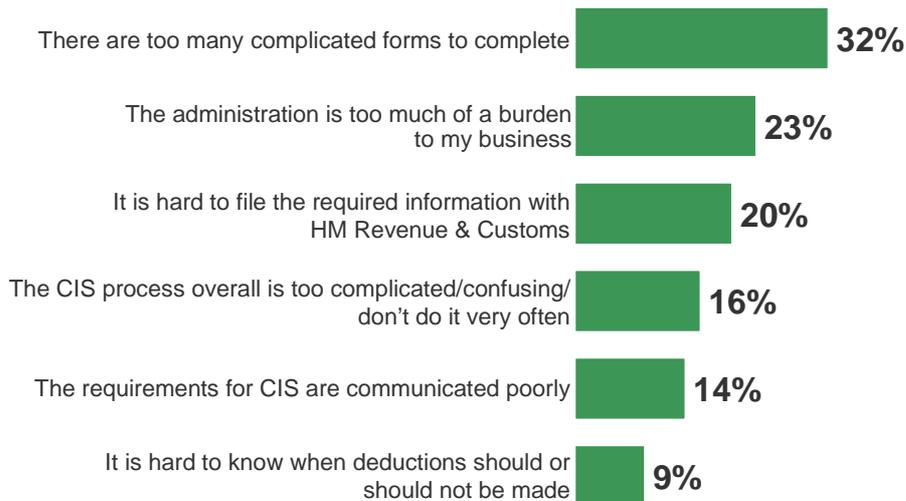
Difficulties in administering CIS

Of those respondents who find CIS difficult, almost one third (32%) say that this is because there are *too many complicated forms to complete*. Slightly below a quarter (23%) say that the *administration is too much of a burden to their business*, and a further fifth (20%) say that it is *hard to file the required information with HMRC*.

Difficulties with CIS administration

Why do you find it difficult to administer the Construction Industry Scheme?

Mentions over n=20 only



Base: All respondents who find the CIS difficult to administer (328); fieldwork 22 June to 21 August 2009

Ipsos MORI



Those who work as tradespeople or construction workers, rather than in administration or management roles, are more likely to say that they find CIS difficult because there are *too many complicated forms to complete*. Over two fifths (43%) of tradespeople say this compared to 22% of those who work in a role such as office manager, payroll clerk or administrator.

Dual role businesses are most likely to say that *the administration is too much of a burden* regardless of CIS turnover size, with over three in ten (31%) of dual role businesses saying this compared to less than a quarter (23%) of the total. As these businesses have to complete more documentation than those operating solely as contractors or subcontractors, this is perhaps to be expected.

“If you’ve got a guy that’s a tiler and that tiler is collecting tax for the government via VAT, got to send returns in, paperwork, this carry on, if he’s using a sub got to send returns in, paperwork, and all of these returns that have been sent in carry a fine for not doing the work ... There’s not a lot of time involved in this, but a guy that’s tiling, a guy that’s out painting, a guy that’s laying bricks, that’s what he does, that’s what he does for a living, he lays bricks”

Medium Dual Role Business

6.4. Employment status declaration

CIS now requires contractors to make a statutory declaration of the employment status of subcontractors on their monthly return. This means that contractors must declare that none of the listed subcontractors is an employee.

As shown overleaf, half (**50%**) of contractors agree that they ***think more about the working terms and conditions of workers following the introduction of the employment status declaration***, with 15% saying they do not agree and just over a fifth (22%) saying that they neither agree nor disagree with the statement.

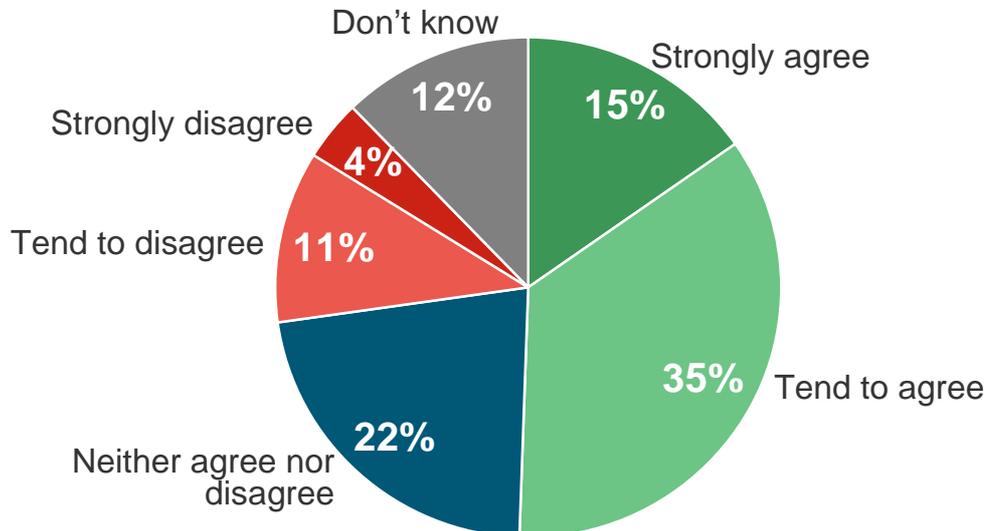
Subgroup differences on working conditions

Those in dual role businesses and those with a large CIS turnover are more likely to *strongly agree* that the employment status declaration has encouraged them to think more about the working terms and conditions of workers (17% and 23% respectively compared to 13% of contractors and 14% of small CIS turnover businesses). Those in small CIS turnover businesses are most likely to disagree that it has had an impact (17% compared to 15% of the total).

Working terms and conditions of workers

To what extent would you agree or disagree with the following statement?

"I now think more about the working terms and conditions of workers"



Base: All respondents who work as contractors and administer CIS themselves (1,500); fieldwork 22 June to 21 July 2009

Ipsos MORI

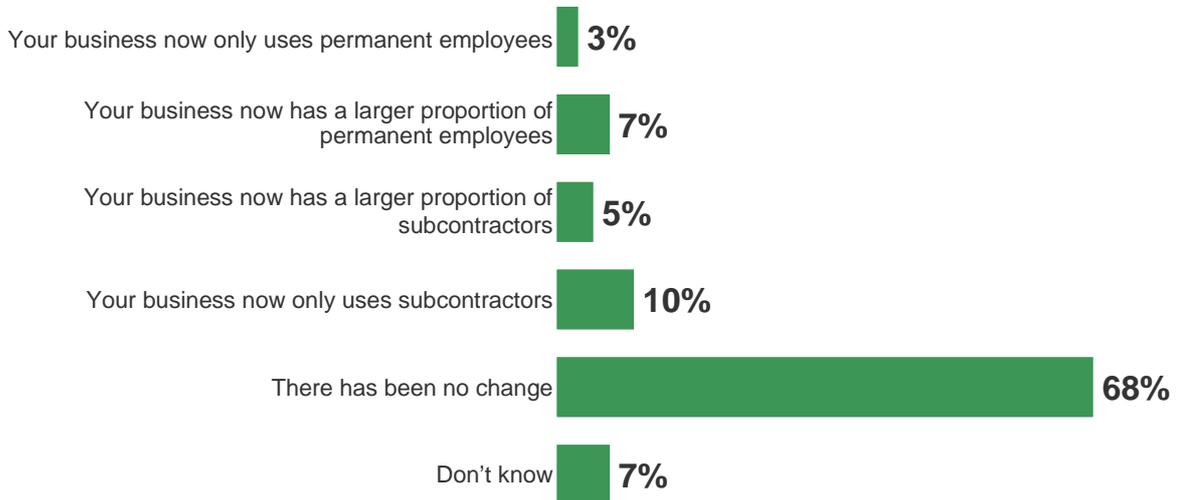


The effect of the declaration

Over two thirds (68%) of contractors say that there has been *no change* in the mix of subcontractors and permanent employees used by their business as a result of the employment status declaration. However, a quarter of businesses (25%) say the declaration has had an effect: one in ten (10%) say that as a result of the declaration, their business now *only uses subcontractors*, whilst 5% say there has been an *increase in the proportion of subcontractors used* and a further 7% say there has been an *increase in the number of permanent employees of the business*.

Effect of the Employment Status Declaration

Which of the following best describes the effect this declaration has had on the mix of subcontractors and permanent employees used by your business?



Base: All respondents who work as contractors and administer CIS themselves (1,500); fieldwork 22 June to 21 July 2009

Ipsos MORI



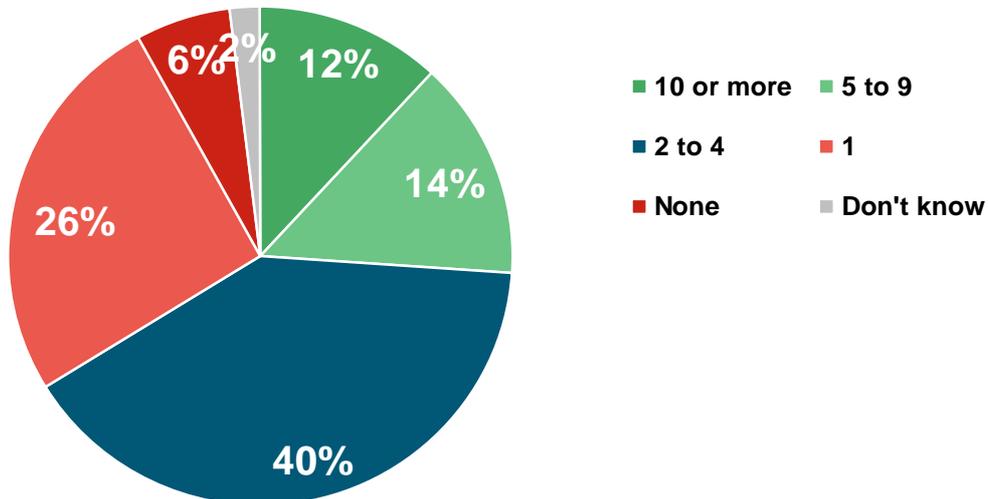
The declaration has affected businesses differently. Comparing contractors with small and large CIS turnover reveals that small contractors are more likely than large contractors to have switched to solely using subcontractors (13% compared to 10% of the total). Large businesses are more likely to say there has been no change in the mix of subcontractors and permanent employees as a result of the introduction of the declaration, with over three quarters (78%) saying this, compared to under two thirds (65%) of small turnover businesses.

6.5. Number of contractors worked with

Subcontractors were also asked about the variety of contractors they worked with over a twelve month period. **On average subcontractors say that they have worked for 4 contractors in the last year**, with two fifths (40%) saying that they worked for between 2 and 4 contractors over the past twelve months. However, just over a quarter (26%) says that they have only worked for one contractor in the last year.

Number of businesses subcontracted for

Approximately how many contractors did you/your business subcontract for in the last year?



Base: All respondents who work as subcontractors and administer CIS themselves (1257); fieldwork 22 June to 21 August 2009
Ipsos MORI



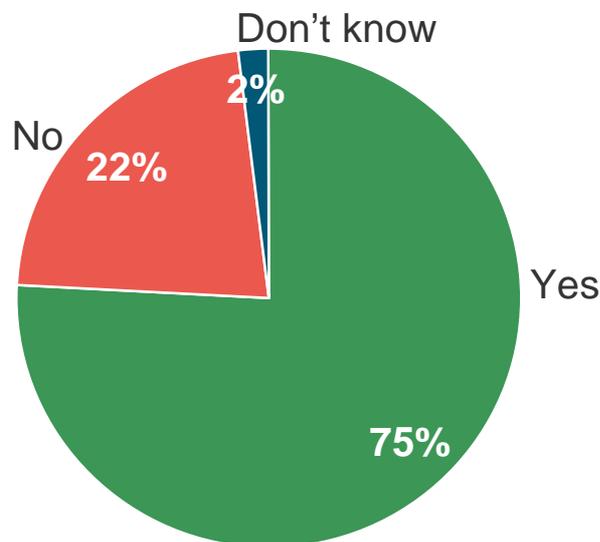
As may be expected, **the larger the CIS turnover of the subcontractors, the more likely they are to say they have worked with a greater number of contractors.** One in three (32%) of small CIS turnover businesses say they have worked with only one contractor in the past twelve months, compared to one in ten (10%) of those with a medium CIS turnover. Conversely almost half (46%) of large CIS turnover subcontractors say that they have worked for ten or more different contractors, compared to only four percent of small CIS turnover subcontractors.

6.6. Comparisons with Old CIS

Three quarters (75%) of respondents currently working under CIS also have experience of working under the old system. Just over one fifth (22%) of respondents have no experience of old CIS.

Experience of Old CIS

Did you use the old Construction Industry Scheme?



Base: All respondents who administer CIS internally (2,019); fieldwork 22 June to 21 August 2009

Ipsos MORI



Those least likely to have experienced the old system are small subcontractors, three in ten (30%) of whom say they have not, compared to 22% of the total.

A simplified system?

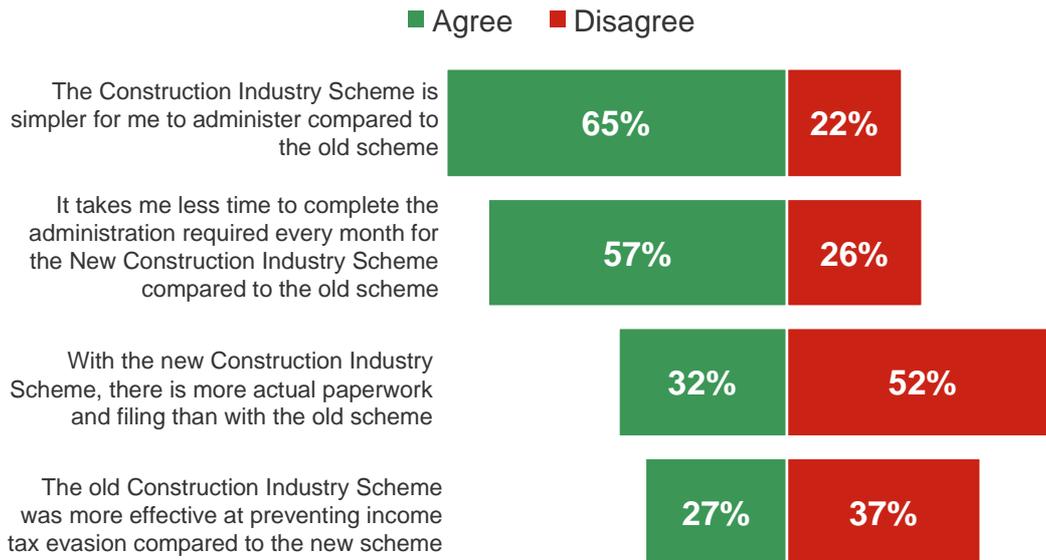
In the main, businesses that administer CIS for themselves are positive about the changes made to the system. **Almost two thirds (65%) of respondents agree that *the new scheme is simpler to administer than the old scheme*.** However, slightly over a fifth (22%) of respondents disagree that the new scheme is simpler. Respondents were asked to make further comparisons with the old system:

- Over half of respondents (57%) agree that ***the administration for the new scheme takes less time per month to complete***, with over a quarter (26%) disagreeing that this is the case.
- Less than a third (32%) agree that ***there is more paperwork and filing in the new scheme than in the old***, with over half (52%) expressing disagreement with this statement.

- And just over a quarter (27%) agree that *old CIS was more effective at preventing income tax evasion than the new scheme*, with a greater proportion (37%) saying they disagree that the old scheme was more effective.

Time comparisons to Old CIS

To what extent do you agree or disagree with the following statements...?



Base: All respondents who are familiar with the Old CIS and who administer CIS internally (1,611); fieldwork 22 June to 21 August 2009

Ipsos MORI



Those who disagree that the *new scheme is simpler to administer than the old scheme*⁹ are more likely to be:

- Businesses with small CIS turnover (24% compared to 14% of those with a large CIS turnover)
- Those who do not have Gross Payment Status (26% compared to 15% who do)
- Those who find CIS difficult to administer (56% compared to 16% of those who describe the process as easy)
- Those who think new CIS is less effective (34% compared to 14% of those who think it is more effective)
- Those who agree that CIS shows HMRC does not trust the construction industry (27% compared to 14% of those who disagree)

A similar profile is seen amongst those who disagree that *it takes less time to complete CIS administration each month compared to the old scheme*.

⁹ n=354

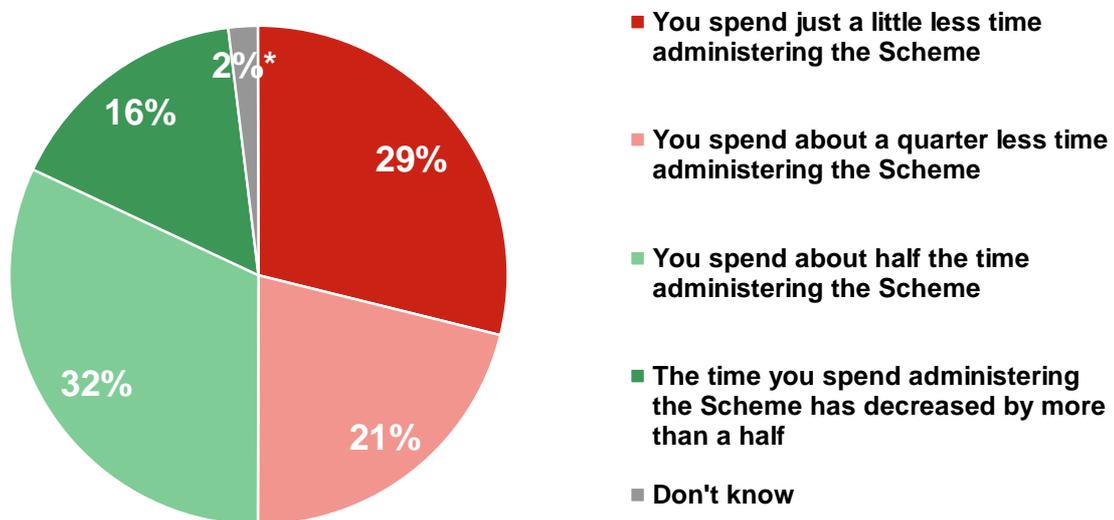
Subcontractors and all businesses with a small CIS turnover are most likely to agree that *old CIS was more effective at preventing income tax evasion than the new scheme*, (33% and 31% respectively compared with 21% of contractors and 13% of large CIS turnover businesses). Small subcontractors are the most likely to agree that the old scheme was more effective than the new scheme (36%). A third (33%) of those with no Gross Payment Status also agree with the statement compared to less than one in five (19%) of those with GPS.

Those with experience of the old scheme who feel that CIS is ineffective overall are more likely to agree that the old scheme was more effective at preventing income tax evasion. Almost two fifths (39%) of those who feel CIS is ineffective overall agree that the old scheme was more effective compared to a quarter (25%) who disagree. Those who feel that tax avoidance is uncommon in the industry are also more likely to agree that the old scheme is more effective than the new, with just under three in ten (29%) agreeing compared to 27% of the total.

Of those who say that the time they have spent administering the scheme has decreased under the new scheme¹⁰, around one in six (16%) say that they spend less than half the time on new CIS administration, with a further third (32%) saying that they spend about half the time. Half (50%) of respondents say that the time they spend on CIS has decreased by less than half.

Reduction in administrative burden

You said that you now spend less time administering the Construction Industry Scheme. Would you say that.....?



Base: All respondents who feel that less administration is required under the New CIS (922); fieldwork 22 June to 21 July 2009

Ipsos MORI



Those respondents who say the new scheme has reduced the time the least are those who verify subcontractors by telephone and those who use a paper based system (32% and 36% compared to 29% of the total). The reason for this is likely to be due to the latter – that they

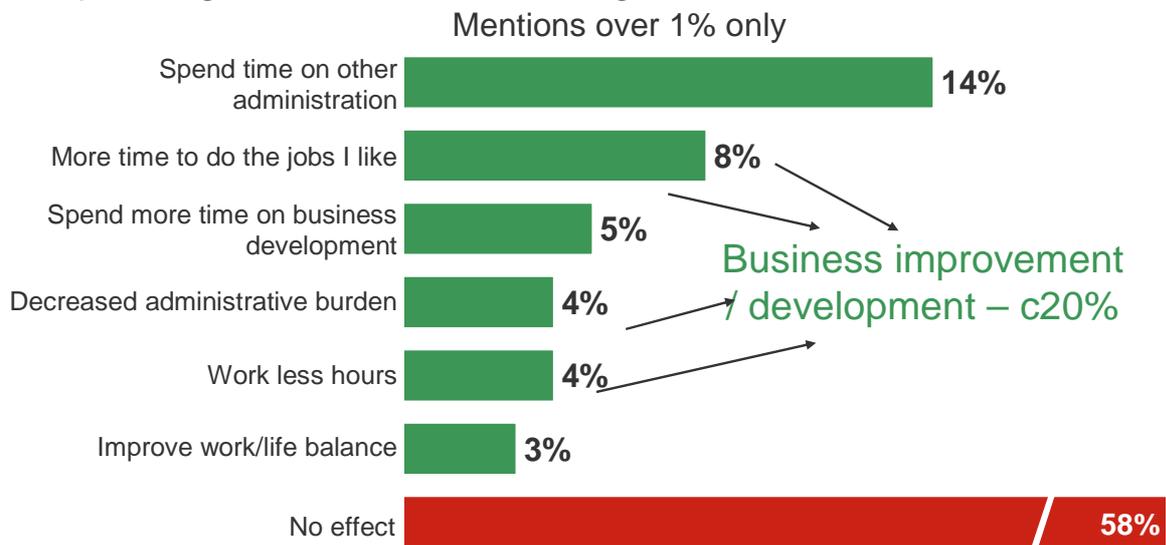
¹⁰ n = 918

use paper-based systems. It happens that this group are also more likely to verify using the phone.

For most the effect of a reduction of time spent administrating CIS is to create *more time to spend on other administration* (14%), it also allows respondents to spend *more time doing jobs that they like* (eight percent), more time on *business development* (five percent) and *decrease the administration burden* (four percent). Almost six in ten (**58%**) respondents say that the time gained in reduction of hours spent on CIS has had **no effect on their business at all**.

Effect of spending less time on CIS

And what, if any, has been the effect on your business of spending less time administering the Scheme?



Base: All respondents who feel that less administration is required under the New CIS (922); fieldwork 22 June to 21 August 2009

Ipsos MORI



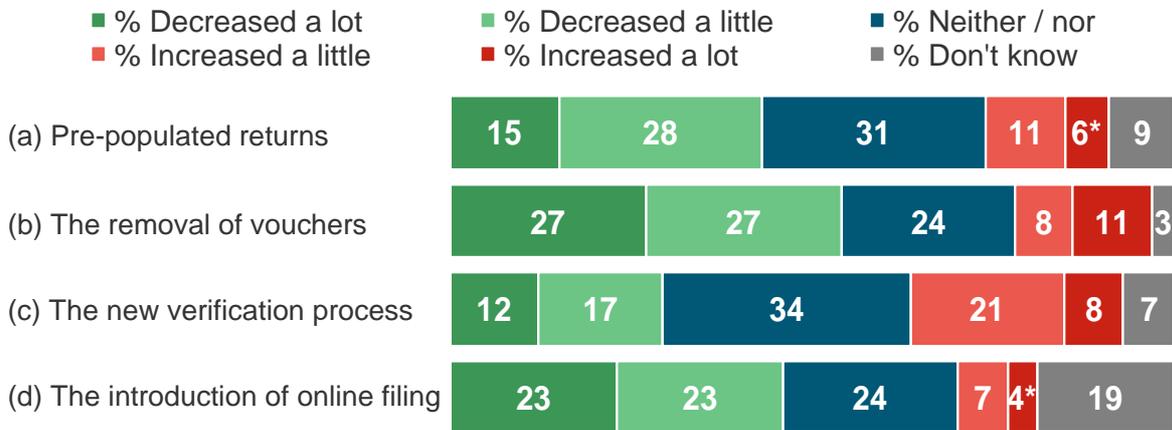
Small CIS turnover subcontractors are the most likely to say the reduction in time spent on CIS has no effect on their business, with seven in ten (70%) saying this compared to less than six in ten (58%) of the total. Businesses with large and medium CIS turnover are more likely to spend time on other administration (30% and 20% respectively compared to nine percent of small turnover businesses).

Seven in ten (70%) tradespeople also say that the reduction in CIS administration has no effect on their business, compared to around half (49%) of office managers, payroll clerks or general administrators (49%) and of Managing Directors, accountants and finance Directors (51%). These groups are most likely to say that they would spend the additional time on other administration (24% and 21% compared to 14% of the total).

The removal of vouchers is mentioned by the greatest proportion of respondents as having reduced the administration time of CIS, with over half (54%) saying this. Over two fifths also mention pre-populated returns (43%) and the introduction of online filing (45%) as responsible for a decrease in the amount of time spent on CIS administration. The new verification process is the one area where there is not a consensus with respondents as to whether administration time has been increased or decreased, with three in ten (30%) saying this now takes longer, compared to 29% who say it has made the process quicker.

Which elements of the new scheme affect time?

To what extent have any of the following increased or decreased the amount of administration time you spend on the New Construction Industry Scheme overall, compared to the old scheme?



Base: (a) All respondents who receive a partially completed paper tax return from HMRC (670)
 (b) All respondents who are familiar with the old CIS (1,611)
 (c) All respondents who are familiar with the old CIS (1,611)
 (d) All respondents who manage at least some CIS administration electronically (707)
 Fieldwork 22 June to 21 August 2009

Ipsos MORI



Pre-populated returns decrease time for businesses with a large CIS turnover, with over six in ten (61%) saying that they decrease time taken to administer CIS (compared to 37% of small turnover businesses).

Again, the removal of vouchers has had the most impact on businesses with a medium or large CIS turnover, with 62% and 79% respectively saying that this has decreased CIS administration time, compared to less than half (47%) of small turnover businesses.

Contractors and dual role businesses are more likely to feel that the new verification process has increased the time they spend on CIS administration, with almost two fifths (39% and 36% respectively) saying this takes longer, compared to just over one fifth (22%) of subcontractors.

Appendices

7. Appendices

Appendix 1: Marked up questionnaire

New Construction Industry Scheme Topline Results

- Results are based on 2,533 telephone interviews
- Data are weighted size of turnover and type of business as reported by participants. For full details on the weighting method, please refer to the methodology section of the main report.
- Fieldwork between 22 June – 21 August
- Where results do not sum to 100, this may be due to multiple responses, computer rounding or the exclusion of don't knows/not stated
- Results are based on all respondents unless otherwise stated
- A sole asterisk (*) represents a value of less than one half or one percent, but not zero.
- Where fewer than 20 responses were collected, percentages are presented but these are also flagged with an asterisk to indicate that these percentages are based on small numbers of respondents and caution should be used when interpreting this data.
- Where base sizes for questions are lower resulting in low cell counts, answer percentages are not shown in this appendix. This applies to Q11, Q22, Q32 and Q43.

Q4. Does your business work solely as a contractor, solely as a subcontractor or as both?

Base: All respondents (2,533)

	%
Contractor	13
Subcontractor	62
Contractor and Subcontractor	25

Q5. Our records from the HM Revenue & Customs show you/your business had an annual turnover in 2007/08 FOR WORK RELATING TO CIS of [from sample]. Is this correct?

Base: All respondents (2,533)

	%
Small – under £100,000	80
Medium - £100,000 to £499,999	12
Large - £500,000 or over	7

Q6. How many people are permanently employed by you or your business?

Base: All respondents (2,533)

	%
None	52
1-4	32
5-9	6
10-19	5
20-49	3
50-99	1
100-199	*
200-249	*
250-499	*
500 or more	*
Don't know	1*

INITIAL VIEW ON CIS

Q7. **To begin, I would just like to ask you, in your own words, why you think that Her Majesty's Revenue & Customs operates the Construction Industry Scheme?**

MULTICODE

Base: All respondents (2,533)

	%
To ensure that income tax gets paid	36
To stop construction businesses avoiding taxes	8
To stop subcontractors avoiding taxes	7
To allow government to regulate/monitor businesses	7
To make it easier for businesses and individuals working in construction to pay tax	5
To ensure contractors/subcontractors operate legally	5
To collect statistics on construction business	3
To collect taxes (general including NI)	3
To protect construction workers' conditions of service	2
Other	6
Don't know	32
No answer	*

CIS ACTIVITIES – SUBCONTRACTORS/BOTH ROUTE

Q8. What information do you have to provide to contractor businesses under the Construction Industry Scheme when working with them for the first time?

UNPROMPTED

MULTICODE

Base: All respondents who work as subcontractors and administer CIS themselves (1,257)

	%
A Unique Taxpayer Reference (UTR)	51
National Insurance Number (NINO)	29
CIS card/number/certificate	17
Company Registration Number (CRN)	14
Your name	11
Company name	8
Health and Safety policy/certificate/assessment	6
Address (unspecified)	4
VAT registration number/certificate	3
Public liability/public liability insurance/certificate	3
Insurance details/policy (unspecified)	3
Bank details (unspecified)	2
Other company contact details	2
Other	13
Don't know	14
No answer	6

Q9. Do you have to provide any of the following to contractor businesses under the Construction Industry Scheme when working with them for the first time?

PROMPTED FOR NECESSARY ELEMENTS NOT MENTIONED AT Q8

MULTICODE

Base: All respondents who work as subcontractors and administer CIS themselves (1,257)

	%
A Unique Taxpayer Reference (UTR)	37
National Insurance Number (NINO)	48
Your name	74
Company name	72
Company Registration Number (CRN)	40
None of the above	9
Don't know	2

Q8/9 Do you have to provide any of the following to contractor businesses under the Construction Industry Scheme when working with them for the first time?

Combined answers for Q8 and Q9
MULTICODE

Base: All respondents who work as subcontractors and administer CIS themselves (1,257)

	%
A Unique Taxpayer Reference (UTR)	88
National Insurance Number (NINO)	77
Your name	86
Company name	80
Company Registration Number (CRN)	54
Other	39
None of the above	1*
Don't know	1*

Q10. Do you currently have, or have you had in the past, Gross Payment Status under the Construction Industry Scheme? Gross Payment Status means you are paid without having any deductions taken for tax from your payment.

Base: All respondents who work as subcontractors and administer CIS themselves (1,257)

	%
Has Gross Payment Status	26
Used to have Gross Payment Status, but do not have GPS now	8
Do not, nor have ever had, Gross Payment Status	61
Don't know	5
No answer	*

Q11. How, if at all, were you notified about the loss of Gross Payment Status?

Base: All subcontractors who have lost Gross Payment Status (113)

	%
Through a letter	
Our business was not notified	
From a contractor	
From my agent	
Government agent	
Other	
Don't know	
No answer	

Q12. Thinking about your business, to what extent do you agree or disagree with the following statements about Gross Payment Status?

Base: All subcontractors who have, or have had Gross Payment Status (521)

		Strongly agree %	Tend to agree %	Neither/ nor %	Tend to disagree %	Strongly disagree %	Don't know %
A.	As a consequence of having Gross Payment Status, contractors are more likely to engage me	32	24	16	14	7	7
B.	Having Gross Payment Status makes it easier to run my business	61	21	7	6	5	*
C.	Gross Payment Status means that contractors view my business more favourably compared to subcontractors without Gross Payment Status	37	25	14	13	4	8

Q13. Do you receive a statement...

Base: All subcontractors who do not currently have Gross Payment Status (789)

	%
From all contractors	67
From some contractors	23
From no contractors	9
Don't know	1*

Q14. Which of the following pieces of information are normally included on the statement you receive?

MULTICODE

Base: All subcontractors who receive a statement of pay and deductions (702)

	%
The name of the contractor	97
The Contractor's Employers Reference	78
The period to which the payment relates	97
Your name	94
Your UTR number	86
Pay before deductions	95
Pay after deductions	98
Amount of any materials	64

Q15. How often do contractors USUALLY provide you with a statement?

Base: All subcontractors who receive a statement of pay and deductions (702)

	%
Weekly	11
Two-weekly	2*
Monthly	53
Every two months	3
Quarterly	4
Every six months	1*
Annually	5
On completion of a contract/job	17
Don't know	4

Q16. How do contractors pay you for subcontracting work?

MULTICODE

Base: All respondents who work as subcontractors and administer CIS themselves (1,257)

	%
Cash	4
Cheque	66
Direct Bank Transfer (BACS)	69
Other	*
Don't know	*

Q17. Approximately how many contractors did you/your business subcontract for in the last year?

Base: All respondents who work as subcontractors and administer CIS themselves (1,257)

	%
None	6
One	26
2 to 4	40
5 to 9	14
10 or more	12
Don't know	2

CIS ACTIVITIES – CONTRACTORS/BOTH ROUTE

I am now going to ask you some similar questions about the administration you carry out as a CONTRACTOR for CIS. Although some of these questions are repetitive, it is important for HM Revenue & Customs to understand the different activities that businesses do in relation to the Construction Industry Scheme.

Q18. What information do you ask subcontractors to give you under the Construction Industry Scheme when they work for you for the first time?
UNPROMPTED
MULTICODE

Base: All respondents who work as contractors and administer CIS themselves (1,500)

	%
A Unique Taxpayer Reference (UTR)	75
National Insurance Number (NINO)	66
Their name	45
Company name	28
Company Registration Number (CRN)	26
Address (unspecified)	12
CIS card/number certificate	9
VAT registration number	3
Other legal details (unspecified)	3
Other personal contact details	3
Health and Safety policy/certificate/assessment	2*
Company/business address	2*
Bank details/financial details	2*
Proof of ID i.e. utility bill/ID card/passport etc	2*
Other company legal details	2*
Other contact details (unspecified)	2*
Other	9
Don't know	6
No answer	3

Q19. Do you ask subcontractors to provide you with any of the following under the Construction Industry Scheme when they work for you for the first time?
PROMPTED FOR NECESSARY ELEMENTS NOT MENTIONED AT Q18
MULTICODE

Base: All respondents who work as contractors and administer CIS themselves (1,500)

	%
A Unique Taxpayer Reference (UTR)	19
National Insurance Number (NINO)	25
Their name	48
Company name	59
Company Registration Number (CRN)	51
None of the above	22

Q18/ 19 **Do you ask subcontractors to provide you with any of the following under the Construction Industry Scheme when they work for you for the first time?**

Combined answers for Q18 and Q19
MULTICODE

Base: All respondents who work as contractors and administer CIS themselves (1,500)

	%
A Unique Taxpayer Reference (UTR)	94
National Insurance Number (NINO)	90
Their name	93
Company name	87
Company Registration Number (CRN)	77
Other	35
None of the above	3
Don't know	2*

Q20. **Which of the following methods do you use to verify if subcontractors should be paid with or without a deduction?**

MULTICODE

Base: All respondents who work as contractors and administer CIS themselves (1,500)

	%
By telephone	65
Online through the HM Revenue & Customs website	36
Through intermediary	1*
Other HMRC	1*
Payroll package	1*
Paper based method	1*
Other	*
Don't know	*
No answer	7

Q21. **Not including subcontractors with Gross Payment Status, do you provide a statement of pay and deductions to...?**

Base: All respondents who work as contractors and administer CIS themselves (1,500)

	%
All subcontractors	80
Some subcontractors	6
No subcontractors	6
We only engage subcontractors with Gross Payment Status	4
Don't know	4

Q22. Can you describe why you do not provide a statement of pay and deductions to all subcontractors, not including subcontractors with Gross Payment Status?

MULTICODE

Base: All contractors who do not provide a statement of pay and deductions to all subcontractors without Gross Payment Status (194)

	%
Not needed as only employ gross	
Never been asked/never thought about it/was not aware I had to/was a requirement/never done them	
Deductions/pay is processed through the invoices provided	
The administration burden is too much for my business	
They work out their own deductions/calculations	
All regular subcontractors receive statements/some prefer yearly statements	
Deductions shown on their payment slip	
Forget/slip through the system	
Deductions shown on admittance/return forms	
Make payment by cheque	
Agreed verbally/face to face/done in front of them	
Would be dependent on their CIS/verification number	
Statements available online using the UTR number	
Other	
Don't know	
No answer	

Q23. Which of the following pieces of information are normally included on the statement you provide?

MULTICODE

Base: All contractors who do provide statements of pay and deductions to subcontractors (1,279)

	%
Your name	92
Your Employer's Reference	82
The period to which the payment relates	98
The subcontractor's name	99
Their UTR number	88
Pay before deductions	98
Pay after deductions	97
Amount of any materials	87
None of the above	*

Q24. How often do you USUALLY provide subcontractors with a statement?

Base: All contractors who do provide statements of pay and deductions (1,279)

	%
Weekly	5
Two-weekly	1*
Monthly	64
Every two months	1*
Quarterly	2*
Every six months	1*
Annually	5
On completion of a contract/job	17
Don't know	3

Q25. How do you pay subcontractors?

MULTICODE

Base: All respondents who work as contractors and administer CIS themselves (1,500)

	%
Cash	7
Cheque	74
Direct Bank Transfer (BACS)	41
Other	*
Don't know	3

Q26. Which of the following best describes your business's approach to administering the Construction Industry Scheme?

Base: All respondents who work as contractors and administers CIS themselves (1,500)

	%
All our records are managed electronically	13
Our records are managed using electronic and paper methods	49
All our records are managed using a paper-based filing system	38
Don't know	*

Q27. You said that you managed at least some of the Construction Industry Scheme administration electronically. Do you use "CIS Online" to file your monthly returns?

Base: All contractors who manage at least some CIS administration electronically (893)

	%
Yes	56
No	41
Don't know	2*

Q28. And which of the following do you use to file online?

MULTICODE

Base: All contractors who file monthly returns using CIS online (500)

	%
Software provided free on HM Revenue & Customs website	69
Add-ons to commercial accounting software (e.g. Sage)	18
Software that has been designed by you or your business	5*
The Electronic Data Exchange	3*
Other	2*
Don't know	9

Q29. You said that you manage at least some of the Construction Industry Scheme administration manually, using paper records. Does HM Revenue & Customs send you partially completed tax returns?

Base: All respondents who file paper CIS returns (961)

	%
Yes	70
No	21
Don't know	9

ADMINISTERING CIS ACTIVITIES

Q30. Thinking about all of the things we have just discussed, how long does it take you to complete all of the administration needed for the Construction Industry Scheme IN A TYPICAL WORKING MONTH?

Base: All respondents who administer CIS internally (2,019)

	%
None	5
1-30 minutes	21
30-60 minutes	18
1-2 hours	20
2-3 hours	7
3-4 hours	8
4-5 hours	4
5-9 hours	7
10 hours or more	3
Don't know	7

Q31. **Overall, would you describe the Construction Industry Scheme as easy or difficult to administer? Is that very, or fairly easy/difficult?**

Base: All respondents who administer CIS internally (2,019)

	%
Very easy	22
Fairly easy	58
Fairly difficult	11
Very difficult	5
Don't know	4

Q32. **Why do you find it difficult to administer the Construction Industry Scheme?**

MULTICODE

Base: All respondents who find the CIS difficult to administer (328)

	%
There are too many complicated forms to complete	
The administration is too much of a burden to my business	
It is hard to file the required information with HM Revenue & Customs	
The CIS process overall is too complicated/confusing/don't do it very often	
The requirement for CIS are communicated poorly	
It is hard to know when deductions should or should not be made	
Find HMRC/Government to be inflexible or unresponsive	
Fines/penalty for late returns/mistakes/payments	
Telephone centre processes or staff are unhelpful	
Dependent on the availability of work	
We now have to do HMRC's job for them	
Difficulty with the telephone centre	
Other	
Don't know	
No answer	

The Construction Industry Scheme now places a requirement with contractors to make an employment status declaration every month. We appreciate that the current economic climate might be having an effect on you and your workforce, but we'd like you to consider only this declaration in the following two questions.

Q33. To what extent do you agree or disagree with the following statement...

“I now think more about the working terms and conditions of workers”

Base: All respondents who work as contractors, who administer CIS themselves (1,500)

	%
Strongly agree	15
tend to agree	35
Neither agree nor disagree	22
Tend to disagree	11
Strongly disagree	4
Don't know	12

Q34. Which of the following best describes the effect this declaration has had on the mix of subcontractors and permanent employees used by your business?

Base: All respondents who work as contractors, who administer CIS themselves (1,500)

	%
Your business now only uses permanent employees	3
Your business now has a larger proportion of permanent employees	7
Your business now has a larger proportion of subcontractors	5
Your business now only uses subcontractors	10
There has been no change	68
Don't know	7

Q35. In 2007, the way the Construction Industry Scheme worked changed – for example, the use of vouchers as part of the payment process was stopped. Did you use the old Construction Industry Scheme?

Base: All respondents who administer CIS internally (2,019)

	%
Yes	75
No	22
Don't know	2

Q36. To what extent do you agree or disagree with the following statements.....?

Base: All respondents who are familiar with the old CIS, who administer CIS internally (1,611)

		Strongly agree %	Tend to agree %	Neither/ nor %	Tend to disagree %	Strongly disagree %	Don't know %
A.	It takes me less time to complete the administration required every month for the New Construction Industry Scheme compared to the old scheme	32	25	14	13	12	4
B.	The new Construction Industry Scheme is simpler for me to administer compared to the old scheme	35	30	11	11	11	2
C.	The old Construction Industry Scheme was more effective at preventing income tax evasion compared to the new scheme	14	13	19	20	17	18
D.	With the new Construction Industry Scheme, there is more actual paperwork and filing than with the old scheme	17	15	12	30	22	4

Q37. You said that you now spend less time administering the Construction Industry Scheme. Would you say that...?

Base: All respondents who feel that less administration is required under the New CIS (922)

...you spend just a little less time administering the Scheme	29
... you spend about a quarter less time administering the Scheme	21
... you spend about half the time administering the Scheme	32
... the time you spend administering the Scheme has decreased by more than a half	16
Don't know	2*

Q38. And what, if any, has been the effect on your business of spending less time administering the Scheme?

MULTICODE

Base: All respondents who feel that less administration is required under the New CIS (922)

	%
Spend time on other administration	14
More time to do the jobs I like	8
Spend more time on business development	5
Work less hours	4
Decreased administrative burden	4
Improve work/life balance	3
Spend more time on the business generally	2*
Increase the number of business contracts that I manage	1*
Cheaper/cost effective	1*
Increased profitability	1*
Work less overtime	*
No effect	58
Other	1*
Don't know	2*

Q39. To what extent have any of the following increased or decreased the amount of administration time you spend on the New Construction Industry Scheme overall, compared to the old scheme?

Base: All respondents who are familiar with the old CIS, who administer CIS internally (1,611)

		Inc- reased a lot %	Inc- reased a little %	Neither increased nor decreased %	Dec- reased a little %	Dec- reased a lot %	Don't know %
A.	Pre-populated returns ¹	6*	11	31	28	15	9
B.	The removal of vouchers	11	8	24	27	27	3
C.	The new verification process	8	21	34	17	12	7
D.	The introduction of online filing ²	4*	7	24	23	23	19

¹ Asked only for contractors who receive pre-populated returns, base = 670

² Asked only for contractors who file online, base = 707

REACTION TO CIS AIMS

Q40. To what extent do you agree or disagree with the following statements.....?

Base: All respondents (2,533)

		Strongly agree %	Tend to agree %	Neither agree nor disagree %	Tend to disagree %	Strongly disagree %	Don't know %
A.	The existence of the Construction Industry Scheme shows that HM Revenue & Customs does not trust the construction industry	27	24	10	21	10	7
B.	The Construction Industry Scheme helps me feel confident that construction businesses are complying with their tax obligations	35	44	7	5	5	4
C.	Construction businesses will always find ways to avoid paying tax	10	20	10	25	28	7
D.	Subcontractors who are registered with the Construction Industry Scheme are more trustworthy than those that are not	40	27	10	10	6	7
E.	Completing the administration needed for the Construction Industry Scheme is a burden on construction businesses	19	21	9	33	13	5
F.	The Construction Industry Scheme makes it extremely difficult for businesses connected to construction to avoid paying taxes	25	33	8	17	9	8
G.	Subcontractors who are registered for gross payment are more trustworthy than those that are not	16	22	17	20	13	12
H.	The Construction Industry Scheme is geared more towards small businesses and the self employed rather than larger businesses	19	30	11	14	11	15

Q41. **How common or uncommon do you think it is for businesses working in construction to deliberately avoid paying taxes?**

Base: All respondents (2,533)

	%
Very common	5
Fairly common	22
Fairly uncommon	40
Very uncommon	16
Don't know	17

Q42. **How effective or ineffective do you think the Construction Industry Scheme is in ensuring business in construction pay income taxes?**

Base: All respondents (2,533)

	%
Very effective	31
Fairly effective	50
Neither effective nor ineffective	8
Fairly ineffective	3
Very ineffective	2
Don't know	6

Q43. **Why do you think that the Construction Industry Scheme is an ineffective way of collecting income taxes?**

MULTICODE

Base: All respondents who feel CIS is an ineffective way of collecting income taxes (147)

	%
It is easy to bypass the scheme	
Problems with the design of the scheme	
Contractors have too much control of the scheme	
Doesn't focus on those looking to avoid tax/NI contributions	
Contractors can administer the scheme poorly	
Encourages some businesses/people to take money/work for cash	
Scheme not monitored effectively/not work effectively/no better than before	
People don't know enough about it/don't fully understand it	
People do not want to pay income tax	
Penalises small businesses	
The fines are excessive/unfair	
Other	
Don't know	

A FEW QUESTIONS ABOUT YOU

I'd like to close the survey by asking you a couple of questions about yourself.

Q44. In which of the following age categories do you belong?

Base: All respondents (2,533)

	%
25 or under	5
26-35	18
36-45	34
46-55	26
56 plus	16
No answer	*

Q45. Could you please tell me your occupation or job title?

Base: All respondents (2,533)

	%
Managing Director	12
Payroll Clerk/Administrator	4
Office Manager/Assistant	3
Business Accountant	1
Company Secretary	7
Finance Manager/Assistant	4
Other Financial Administrator	1*
Other General Administrator	1
Builder	10
Joiner/Carpenter	10
Electrician/Electrical Engineer	7
Plumber	4
Labourer	1*
Plasterer	3
Painter/Decorator	6
Roofer	2
Scaffolder	*
Floorer/Tiler	3
Other construction	7
Trades associated with metal work	1
Trades associated with woodwork	1
Business Partner	*
Partner (spouse)	1
Partner (unspecified)	*
Contractor	1*
Landscape gardener	1*
Other Director	1
Other Manager	1
Other professional	1
Owner/proprietor	1
Self employed	*
Stone mason	*
Other	4
No answer	*
Managing Director/Accountant/Company Secretary/Finance Director	24
Office Manager/Payroll Clerk/Financial or General Administrator	9
Tradesperson/Construction worker	55
Other	11

Q46. How long have you been in your current job?

Base: All respondents (2,533)

	%
Less than a year	4
A year to two years	10
Three to five years	19
Six to ten years	17
More than ten years	49
No answer	1*

Appendix 2: Statistical Reliability

The respondents who took part in this survey are only a sample of the total "universe" of those who could have taken part, so we cannot be certain that the figures obtained are exactly those we would have if everybody had responded (the "true" values). We can, however, predict the variation between the sample results and the "true" values from knowledge of the size of the samples on which the results are based and the number of times a particular answer is given. The confidence with which we can make this prediction is usually chosen to be 95% - that is, the chances are 95 in 100 that the "true" value will fall within a specified range. The table below illustrates the predicted ranges for different sample sizes and percentage results at the "95% confidence interval", assuming the "universe" to be infinite.

	Approximate sampling tolerances applicable to percentages at or near these levels		
Size of sample on which survey result is based	10% or 90%	30% or 70%	50%
	± %	± %	± %
1,000 responses	2	3	3
2,000 responses	1	2	2
2,533 responses	1	2	2
5,000 responses	1	1	1

It should, though, be stated that these figures assume a simple, random sample with no design effect. For example, with a sample size of 2,533 where 30% give a particular answer, the chances are, 19 in 20, the "true" value (which would have been obtained if the whole "universe" had been interviewed) will fall within the range of +2 percentage points from the survey result (i.e. between 28% and 32%).

When results are compared between separate groups within a sample, different results may be obtained. The difference may be "real," or it may occur by chance (because not everyone in the universe has been interviewed). To test if the difference is a real one - i.e. if it is "statistically significant", we again have to know the size of the samples, the percentage giving a certain answer and the degree of confidence chosen. If we assume "95% confidence interval", the differences between the results of two separate groups must be greater than the values given in the table below:

	Differences required for significance at or near these percentage levels		
Size of samples compared	10% or 90%	30% or 70%	50%
	± %	± %	± %
200 responses	4	6	6
500 responses	6	9	10
1,000 responses	3	4	4
2,533 responses	2	3	3

Summary of sub-group analysis base-sizes

The following table lists the base sizes for all of the sub-groups referred to in the report.

Audience	Base Size	Contractors	Sub-contractors
All respondents	2,533	1,727	1,697
...and who administer CIS internally	2,019	1,500	1,257
And who are familiar with the old CIS, who administer CIS internally	1,611	1,233	992
And who find the CIS difficult to administer	328	241	203
And who feel that less administration is required under the New CIS	922	708	571
And who feel CIS is an ineffective way of collecting income taxes	147	107	97
Work as tradespeople	980	461	825
Work as Directors or managers	895	763	488
Work as payroll officers or administrators	333	289	150
All subcontractor only			806
All contractor only		836	
All dual role businesses			891
Contractors			
All contractors who administer CIS themselves		1,500	
And who do provide statements of pay and deductions to subcontractors		1,279	
And who manage at least some CIS administration on paper		961	
And who manage at least some CIS administration electronically		893	
And contractors who file monthly returns using CIS online		500	
And do not provide a statement of pay and deductions to all subcontractors without GPS		194	
And who receive a pre-populated return		670	
And who file online		707	
Only use electronic methods of administration		180	
Subcontractors			
All subcontractors who administer CIS themselves			1,257
And who do not currently have Gross Payment Status (GPS)			789
And who have, or have had GPS			521
And have lost GPS			113
And who receive a statement of pay and deductions			702

Appendix 3: Multiple regression analysis

- Technical note

Multiple regression techniques (non-linear or linear) are useful if you have an outcome of interest that you want to try and predict or explain using other information. These techniques are common in survey data exploration and are appropriate for answering a number of questions.

Linear multiple regression (as used in the analysis for this report) is used to account for the variance in a *dependent* variable, based on combinations of *independent* demographic and attitudinal variables. It can establish that a set of independent variables explains a proportion of the variance in a dependent variable at a significant level (through a significance test denoted by an R^2 value), and can establish the relative predictive importance of the independent variables by comparing beta weights (standardised beta coefficients).

Multiple regression modelling will help to determine what the positive and negative influencers are to the outcome of a particular question. Positive drivers are represented as positive numbers, and correlate positively with the dependent variable (eg as the score for the independent variable increases so does the score for the dependent variable), these values are shown in green on the multiple regression charts throughout the report. Negative drivers are represented as negative numbers and correlate negatively with the dependent variable (eg as the score for the independent variable decreases, so the score for the dependent variable increases), these values are shown in red on the multiple regression charts throughout the report.

Multiple regression modelling can also provide you with information on which influencers have a greater impact on these outcomes and which are less important to consider.

The regression methodology used is called *stepwise selection*. Initially, no variables are in the model. In the first step, all variables are tested and included is the most statistically significant variable, which would be the variable with the highest correlation to the dependent variable. A second run on the remaining variables is then undertaken, and the most statistically significant variable is again chosen, taking into account the variable already added to the model in the preceding step. The process then continues in this stepwise manner. Sometimes, a variable can be removed again from the model if it no longer meets the significance criteria set, which could be the case if a correlated variable has just entered into the model. For example, the exclusion of a new variable could affect the model to such an extent that a variable added earlier is no longer viewed as significant so it is removed. The point is that the process is iterative until equilibrium is reached – when no further variables meet the significance criteria for entry/removal.

Appendix 4: Sample Profile

The below table sets out the sample profile of respondents who took part in the survey. All data presented are unweighted and percentages are based on the 2,533 completed survey responses.

SAMPLE PROFILE TABLE			
Sub-group	Sub-group Categories	Percentage (%)	Number of Respondents
Gender	Male	66	1669
	Female	34	864
Age	25 or under	3	82
	26-35	15	369
	36-45	36	901
	46-55	27	682
	56+	19	487
Business type and size (Self classifying)	Contractor – large	4	106
	Contractor – medium	5	114
	Contractor – small	26	671
	Dual role – large	4	100
	Dual role – medium	5	116
	Dual role – small	24	620
	Subcontractor – large	2	53
	Subcontractor – medium	2	59
	Subcontractor – small	27	694
Business type and size (from sample)	Contractor – large	4	92
	Contractor – medium	4	103
	Contractor – small	26	692
	Dual role – large	5	127
	Dual role – medium	5	122
	Dual role – small	25	645
	Subcontractor – large	1	36
	Subcontractor – medium	2	45
Job role	Managing Director/Accountant/Company Secretary/Finance Director	35	895
	Office Manager/Payroll Clerk/Financial or General Administrator	13	333
	Tradesperson/Construction Worker	39	380
	Other	12	312
Length of time in job	Less than a year	3	75
	A year to two years	9	234
	Three to five years	19	486
	Six to ten years	19	483
	More than ten years	49	1242