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Construction Industry Scheme Operational Forum (CISOF)

Minutes of Meeting

Wednesday 13th November 2014

Present (Industry): Liz Bridge (LB), Howard Royse (HR), Sue Cave (SC), Eric Rolfe (ER), Mike Sutherland (MS), Samantha Mann (SM), Jim Etherton (JE), Sudeep Ganguli (SG), Susan Ball (SB), Lee Knight (LK)

Present (HMRC): Adrian Dixon (AD) – Chair, Ken Claydon (KC), Ian Battour (IB) – Secretary, Julie Campbell (JC), Adrian Morton (AM),

Apologies: Maurice Denyer, Jason Piper, Stephen Burrell

Gordon Marjoram – Has stepped down as chair of the Joint Taxation Committee and will also be leaving the Forum. We would like to thank Gordon for his valuable contribution to the Forum over the years and to wish him a long and happy retirement.

Action Points – Arising from 26th February 2014 CISOF minutes

First action point Page 3 – Problems registering through Contact Centres

KC said that he had recently visited the Contact Centres and went through these issues with them including problems with warm handovers to different lines and hopes this will improve the process.

Second action point Page 3 – Time to register non-resident contractors

KC said that PT International have to satisfy themselves that everything within the registration is in order and that dealing with foreign tax authorities can take some time. **Action – KC to put some information on the HMRC website stating what is required to register from abroad.**

First action point Page 4 – CIS Repayments – Dealt with later as part of main agenda.

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Second action point Page 4 – Information supplied by Contact Centres

KC said that HMRC could not give out all information to subcontractors on Payment and Deduction Statements as there could be issues with security of data. However, HM Revenue & Customs Act 2005 does allow HMRC to offer assistance in certain circumstances where a subcontractor requires information to comply with their obligations. HR asked if this information could be published on the internet. KC said that the repayment team have instructions on this issue. **Action** – KC to put together some guidance to be published to HMRC website.

First action point page 5 – Enforcement of penalties for contractors not supplying subcontractors with Payment and Deduction Statements (PDS). KC read out an update from Anthony Browne – HMRC Compliance, this stated that his team have withdrawn Gross Payment Status in 100 cases where non-compliance has included non-supply of PDS. They have not imposed the penalty that could be implied as they find this ineffective. HR said that he was encouraged by this action.

Second action point page 5 – Delays in getting registration codes for online services by foreign contractors. **Action** - MS to supply IB with examples to look at specific cases.

Minutes from last meeting- Agreed

Consultation feedback – JC

JC provided feedback to the forum on the consultation exercise held in the summer on the proposed improvements/changes to the scheme. There were just over 40 responses. Comments were generally helpful and supportive of the proposals. Responses were largely in support of the proposal to reduce the alternative test for turnover to £100,000. Looking to implement this from April 2016. This will require changes to secondary legislation. Statistics show that between 400 and 1000 smaller traders will be able to benefit from this change if they decided to apply for Gross Payment Status. JC fed back that many subcontractors prefer to have Net Payment status, HR thought that this could be because they think that applying for GPS is complicated. JC went on to explain the proposed changes to the Compliance Test element of the application for the Tax Treatment Qualification Test (TTQT) when applying for GPS. Other proposals:

Online filing – was well supported as long as the 'digitally excluded' were catered for.

Online appeals –SM asked if the new appeal system will be similar to the PAYE system. JC confirmed that it will be.

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NIL Return obligation – JC said that HMRC are looking to amend the obligation to a voluntary notification . If a penalty is issued for what turns out to be a Nil return, HMRC can then legally vacate the penalty. HR asked if this change can be backdated for penalties issued before the change comes into effect, JC is discussing this with HMRC Central Policy. HR also asked if any refunds for paid penalties will be made. AD said that legislation in force at the time should be adhered to. SB asked about transition arrangements. SC said this will all need to be agreed. JC asked how the Group would like to see this communicated. KC said that we already treat penalty cases leniently where it transpires that a contractor would have made a series of Nil returns following the Giles Bushell tribunal case. LB said that she was pleased that we were looking to make this change.

Online Verification – JC said that feedback was positive on improvements to online verification, but immediate withdrawal of telephone verification was not supported. In response to this, HMRC are looking to delay the total transfer of the telephone service to online for another year, then keeping a small service for the digitally excluded. JC confirmed that the online verification service will be able to match requests a lot better than the current service. JC said that the HMRC 3rd Party development team will be working with JE in the new year. HR asked if any digital applications would be developed. JC said that HMRC could be looking at developing WEB based Apps to launch existing services on smart phones in the future.

Outside Consultation – JC mentioned that companies that become insolvent have problems getting back CIS deductions within the accounting period. HMRC are looking to change this to allow earlier repayments and that there will be a small consultation on this.

Joint Ventures – will be allowed GPS if one of the venture partners has GPS already.

There was no support in the consultations for allowing Contractors who only pay subcontractors with GPS to come out of the scheme.

JC said that the full summary of responses to the consultation will be published on the 10th of December.

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Appeals going to Tribunal

KC reported that there are generally two main reasons why appeals go to Tribunal, these are: Loss of GPS and Cash Flow problems.

Update on repayment process

KC read out an update on the repayment process from Colin Henzell from NIC&EO who confirmed that the repayments were being dealt with inside the agreed 25 day turnaround. HR mentioned that he had been involved in a monthly teleconference to discuss progress with NIC&EO, however, there hadn't been a call since June. HR asked if he could have a more detailed breakdown on the outstanding repayment cases. SB mentioned that repayment cases were being delayed when further correspondence was received and linked to the initial claim. AD said that the case needed to be dealt with as a whole and that overall, the repayment situation was an improvement upon last year. SC raised the issue of one of her clients who had waited a long while for a repayment. **Action** – KC to request more details from NIC&EO (who have since been in touch with SC's client and sorted out the repayment).

Unclaimed deductions

AD explained that KAI have been producing a series of statistics. AD has been in discussion with them on these figures looking to clarify where this surplus arises. AD will be doing further work with KAI so that he can confidently explain where the surplus comes from. HR questioned HMRC's record keeping as there seems to be difficulty getting to the bottom of the issue. AD hoped to bottom out the queries he has in the next few weeks.

Future of Forum

AD said that it is good practice to periodically look at the constitution and purpose of a forum to see if it still consisted of the right members and met its objectives. He noted that the forum did not have a Terms of Reference (ToR) and asked the members what their thoughts were. SM commented that she would go away and think more on it but her initial thoughts were that with changes coming up the forum was still required. LB thought that the forum was still required due to the size of the industry and the chance to bring up issues face to face. HR commented that whilst CIS repayments were still an issue the forum should still remain. SC suggested that CIS is not understood throughout the Department so the forum is an opportunity to highlight issues. MS finds these meetings very valuable and a good use of his time, he is able to distribute information from the meetings to his practice. SB agreed that the Institute of Taxation values the meetings and the chance to raise issues. **Action – AD to produce ToR for circulation/agreement**

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HR asked if there was any information on the effect of recent legislation on Intermediaries. HR asked if there was any information available at present on subcontractors moving into different fields of work. AD answered that this information would be hard to produce at present.

KC updated the forum on the transfer of the CIS internet pages onto the Gov.UK website. The transfer is due to occur between 28th/29th of this month. KC handed out some information on the transfer.

SM asked if HMRC would still be updating the CIS340. KC said that he had persuaded the Gov.UK transfer team to keep the CIS340 in PDF format. LB stressed that this booklet was very valuable to the industry and is well used.

Date of Next Meeting

To be notified

Ian Battour (CISOF Secretary)