

Construction Industry Scheme (CIS) in QuickBooks Pro as a sub-contractor

The Construction Industry Scheme (CIS) is a set of rules for contractors and subcontractors in the construction industry. If you work as a subcontractor under the Construction Industry Scheme (CIS) you must register with HM Revenue & Customs (HMRC) before you start working.

When HMRC register you as a subcontractor they'll automatically set you up to receive payments 'under deduction'. This means contractors must make a deduction at 20 per cent from most of the value of your invoices and pay it over to HMRC. The deduction is held on account of your eventual tax and National Insurance contributions liability.

This guide sets out how to record this in QuickBooks.

Set up each contractor as a customer

1. Go to [Customer Centre](#)
2. Select [New Customer & Job](#) in the top left of the screen

3. Add supplier details as required

The screenshot shows the 'Edit Customer' window in QuickBooks Pro. The window title is 'Edit Customer' and it has a search bar and a 'How Do I?' dropdown. The main content area is divided into tabs: 'Address Info', 'Additional Info', 'Payment Info', and 'Job Info'. The 'Address Info' tab is active, showing fields for Company Name, Mr./Ms./..., First Name, Last Name, Contact, Phone, FAX, Alt. Phone, Alt. Contact, E-mail, and Cc. There is also a 'Customer is inactive' checkbox. Below the main fields are 'Addresses' and 'Invoice To' sections. The 'Invoice To' section shows 'Building Contractor' with a street address and a 'Copy >>' button. At the bottom right, there are 'Add New', 'Edit', and 'Delete' buttons, and a 'Default shipping address' checkbox. A callout box points to the 'OK' button.

4. Choose OK

Set up Accounts and Items

Set up Labour in Chart of Accounts

In the Chart of Accounts, you will need to create an Income account called 'Labour'

1. Go to [Chart of Accounts](#)
2. At the bottom of the screen click [Account](#) then [New](#)
3. Select [Income](#) then [Continue](#)

The screenshot shows the 'Add New Account' window in QuickBooks Pro. The window title is 'Add New Account' and it has a search bar and a 'How Do I?' dropdown. The main content area shows 'Account Type' set to 'Income'. Below that is the 'Account Name' field with 'Labour' entered. There is a 'Subaccount of' dropdown menu. Below these are 'Optional' fields for 'Description' and 'Note'. At the bottom, there are three buttons: 'Save & Close', 'Save & New', and 'Cancel'. A callout box points to the 'Save & Close' button.

4. Enter Account name as 'Labour'

5. Save & Close

Set up Labour as Item

1. Go to [Items & Services](#)
2. Select [Item](#) at the bottom of the screen then [New](#)

3. Choose 'Service' as Type

4. Enter 'Labour' as Item Name

The 'New Item' dialog box is shown with the following fields and values:

- Type: Service
- Item Name/Number: Labour
- Rate: 0.00
- Sales VAT Code: S
- Account: Labour

5. Select VAT code 'S' if registered

6. Select 'Labour' Income Account

Set up CIS Deductions in Chart of Accounts

You will use these to record the 20% CIS Deductions held back from your invoices. This is recorded as a current asset as the deductions are held on account and offset against NI or PAYE due at the end of tax year

1. Go to [Chart of Accounts](#)
2. Choose [Account](#) and then [New](#)
3. Select [Other Account Types](#) then [Other Current Asset](#) and [Continue](#)

The 'New Account' dialog box is shown with the following fields and values:

- Account Type: Other Current Asset
- Account Name: CIS Deductions 20%

4. Enter 'CIS Deductions 20%' as Account Name

5. Save & Close

Set up CIS Deductions as discount Item

You will use this item to calculate the 20% CIS Deductions to be held back from the labour charges on your invoices.

3. Go to [Items & Services](#)
4. Select [Item](#) at the bottom of the screen then [New](#)

3. Select 'Discount' type

4. Enter 'CIS Deductions 20%' as Item Name

The 'New Item' dialog box is shown with the following fields and values:

- Type: Discount
- Item Name/Number: CIS Deductions 20%
- Amount or %: 20.0%
- Account: CIS Deductions 20%

5. Enter Amount as '20%'

6. Select CIS Deductions 20% Account

Recording cost of materials

Set up Materials in Chart of Accounts

In the Chart of Accounts, you will need to create an account called 'Materials'.

1. Go to [Chart of Accounts](#)
2. At the bottom of the screen click [Account](#) then [New](#)
3. Select [Expense](#) and [Continue](#)

Account Type: Expense

Account Name: Materials

Subaccount of

Optional

Description

Note

VAT Code

Account is inactive

Save & Close Cancel

4. Enter 'Materials' as Account Name

5. Save & Close

Write Cheque for materials expenses

When you purchase materials for a job you may then want to add these costs to the invoice you send to the main contractor. This should be recorded at the time of recording the purchase of materials.

1. From the Home Screen go to [Write Cheques](#)
2. Complete the details of the expense as usual

Write Cheques - Bank Account

Bank Account: Bank Account Ending Balance: -930.00

Pay to the Order of: Builders Merchants No. 4 Date: 03/08/2010 £ 117.50

One hundred and seventeen and 50/100*UK Pound Sterling

Address: Builders Merchants, The Builders Yard, The Town, The County, 1AB 9XY

Memo

Order Cheques

Expenses: £100.00 Items: £0.00 To be printed

Account	VAT	Amount	Memo	Customer:Job	Billable
Materials	5	100.00	Materials Purchased for job	Building Contractor	<input checked="" type="checkbox"/>

Total VAT: 17.50

Amounts include VAT

Clear Splits Recalculate

Save & Close Save & New Clear

3. Select name of main contractor as Customer

4. Tick 'Billable'

5. Save & Close

Processing Invoice

Create Invoice to contractor

The easiest way to highlight the deduction your main contractor will make is to highlight these deductions on the invoice you create.

1. From the Home Screen go to [Invoices](#)
2. Select the name of the main contractor as customer
3. If you have purchased materials you will be adding to your invoice choose [Select the outstanding billable time and costs to add to this invoice?](#) and click **OK**

4. Select 'Expenses'

5. Tick the purchase to be added to the Invoice

6. Click 'OK'

Choose Billable Time and Costs

Time and Costs For: **Building Contractor**

Expenses **£100.00** Mileage **£0.00** Items **£0.00**

Select All Markup Amount or % **0.0%** Markup Account

Date	Payee	Memo	Amount	Hide	
<input checked="" type="checkbox"/>	03/08/2010	Builders Merchants	Materials Purchased for job	100.00	

Total Selected Charges **100.00**

Selected expenses are taxable Total expenses with markup **100.00**

Print selected time and costs as one invoice item Total billable time and costs **100.00**

OK Cancel Help

7. You can now complete the rest of the invoice

9. On next blank row in item column 'Item' select 'Labour'. Add description Qty and Rate

10. Add 'CIS Deductions 20%' as item in row below Labour item

8. Materials purchased have now been added to this invoice

Create Invoices

Customer: Job **Building Contractor**

Invoice To: Building Contractor, The Street, The County, AB1 2CD

Item	Description	Qty	Rate	Amount	VAT
	Materials Purchased for job	1	100.00	100.00	5
	Labour 6 Hours Labour	6	20.00	120.00	5
	CIS De... CIS Deductions		20.0%	-24.00	5

Total VAT **34.30** Total **230.30**

Save & Close Save & New Clear

11. Once the invoice is complete click [Save & Close](#)

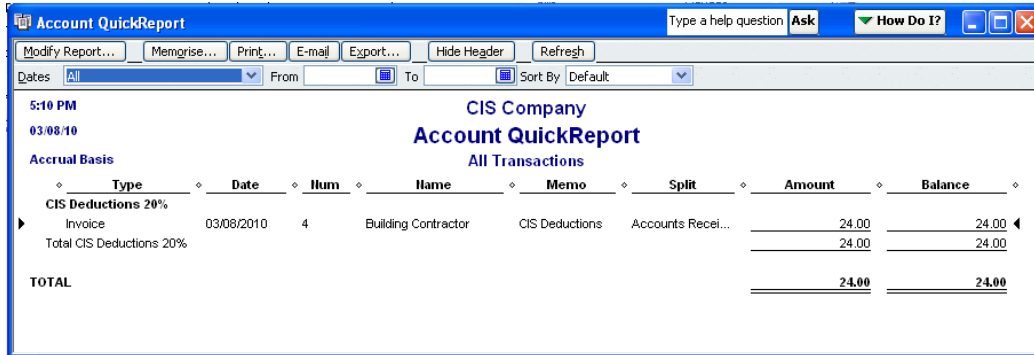
Completing Invoice process

Complete the [Receive Payments](#) and [Record Deposit](#) as usual once payment as been received from the contractor. It will show only the 80% of the labour costs as outstanding.

Reporting your CIS deductions

The CIS deductions made by the contractor are held by HMRC on account of your eventual tax and National Insurance contributions liability. The following report can be used to keep track of deductions held.

1. From the Home Screen go to [Chart of Account](#)
2. Select 'CIS Deductions 20%'
3. Select 'Reports'
4. Select 'QuickReport: CIS Deductions 20%'



The screenshot shows a software window titled "Account QuickReport" with a menu bar (Modify Report..., Memrise..., Print..., E-mail, Export..., Hide Header, Refresh) and a toolbar (Dates, From, To, Sort By). The main content area displays the following information:

5:10 PM
03/08/10
CIS Company
Account QuickReport
All Transactions
Accrual Basis

Type	Date	Item	Name	Memo	Split	Amount	Balance
CIS Deductions 20%							
▶ Invoice	03/08/2010	4	Building Contractor	CIS Deductions	Accounts Recei...	24.00	24.00 ◀
Total CIS Deductions 20%						24.00	24.00
TOTAL						24.00	24.00

Further Help

<http://www.hmrc.gov.uk/cis>