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Sage 50 Accounts Construction Industry Scheme (CIS)

The Sage 50 Accounts CIS module is designed for anyone who carries out construction work in the UK as a contractor and is registered to the Construction Industry Scheme (CIS).

It will help you manage the payments you make to subcontractors and the deductions and returns you need to send to HM Revenue and Customs (HMRC).

HMRC have successfully tested and recognise Sage 50 Accounts CIS to both submit the Monthly Online Tax Return (CIS 300) and perform electronic verification of subcontractor information.

This guides explains the features of the CIS module and how it works with Sage 50 Accounts.

The guide does not detail all the features you can use in Sage 50 Accounts. Its focus is on the CIS module. To get the most out of Sage 50 Accounts, you also need to refer to the information supplied in the Sage 50 Accounts Help system. To view the Help system, from the software's menu bar, choose Help > Contents and Index. Alternatively, if you are working with one of the software's windows and want information about the window, press the F1 key.

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Benefits of Sage 50 Accounts CIS

Sage 50 Accounts CIS module helps you to:

- Ensure you comply with CIS rules and minimise the possibility of incurring penalties from HM Revenue & Customs (HMRC).
- Store your records ready for an audit by HMRC.
- Check your subcontractor details with HMRC before making payments to them (eSubmissions).
- Record paid work that has been completed by your subcontractors, including any materials used and tax deductions that apply.
- Generate your CIS monthly return.
- Submit your CIS monthly returns to HMRC electronically (eSubmissions).
- Record payments you make to subcontractors.
- Generate a monthly statement of tax deductions to give to your subcontractors.
- Send electronic payments to subcontractors and HMRC, using eBanking.
- Control who can view, create and change your subcontractor records with access rights and passwords.

You may even want to restrict who can use eSubmissions to verify subcontractors and submit your monthly return to HMRC.

Detailed information about access rights is provided in the software's Help system.

CIS nominal accounts

The software uses nominal accounts to record the amounts you earn or spend as a result of running your business. As a whole, nominal accounts are referred to as your Chart of Accounts (COA) and are used to work out the profit and loss and overall worth of your business.

You can choose from a range of COAs when setting up Sage 50 Accounts. Each COA is designed for different business types, whether you are running a garage or building properties.

The COA groups the nominal accounts into categories such as Sales, Purchases and Direct Expenses. Each category has a number range, and each nominal account has its own unique nominal code which slots into the relevant category range. For example, the category Sales has a range of 4000 - 4999. Within that range you can have many nominal accounts for sales such as 4000, 4001, 4002 and 4009.

Within the COA you need to choose the nominal accounts for CIS. When you activate the CIS module, explained later in this guide, we can create these for you based on the following list.

Nominal account	Category type
CIS Labour	Direct Expenses
CIS Materials	Direct Expenses
CIS Other Taxable	Direct Expenses
CIS Taxable Item	Direct Expenses
CIS Tax Control	Current Liabilities
CIS Tax Liability	Current Liabilities
CIS CITB Levy*	Overheads

*This nominal code is used to record a CITB levy, which is payable to the CITB-Construction Skills organisation. You must get the subcontractor's agreement before deducting a levy from their payment.

If you want to use different nominal codes, you can change them as you activate the CIS module. If you decide you want to use different nominal codes for CIS purposes after you have activate the module, you can change them in Company Preferences.

Two of the nominal accounts are set as control accounts. Control accounts deal with totals for key accounting transactions, such as the total for VAT on Sales or Debtors Control, which is the total amount you are owed for unpaid sales. As a rule, when transactions are recorded the software directs the right amounts to control accounts for you.

The nominal accounts set as control accounts for CIS are:

- **CIS Tax Control:** This nominal account holds the value of tax from subcontractors' payments before the money is included on the CIS monthly return (CIS 300).
- **CIS Tax Liability:** This nominal account holds the value of the tax deductions from subcontracts' payments, once the monies have been included in the CIS monthly return and are ready to be paid to HMRC.

Setting up a connection to HMRC

To check subcontractor details and electronically send your monthly CIS Return to HMRC, we have included an eSubmissions feature. eSubmissions sends certain information, for example about subcontractors, across the Internet and then checks it against data held by HMRC. This reduces the time you spend on the phone, printing forms, and posting information.

When you submit your information the eSubmissions Wizard appears. It checks the accuracy of the information you want to submit and then sends the information to HMRC for you.

To take advantage of this method you need to:

1. Register with the Government Gateway.

Visit HMRC's Online Services web page at www.hmrc.gov.uk

When you receive your User ID and Activation PIN, you must activate these within twenty eight days from the date shown on your Activation PIN letter. If you don't you will have to repeat the registration process. Your letter will explain how to activate your registration.

2. Check you have a compatible Internet browser.

Your Internet browser must:

- Have Javascript and Cookies enabled. Check with your IT Administrator if you need more help and information.
- Be capable of supporting 128-bit SSL.

This ensures that the data you submit is secure. For example, in Internet Explorer, from the menu bar, choose Tools > Internet Options and then select the Advanced tab. From the list of security settings, ensure that the Use SSL2.0 and Use SSL3.0 check boxes are selected. Click Apply and then click OK.

3. Enter your User ID and Activation PIN into the software's eSubmissions settings.

These details can only be entered once you have activated the CIS module. The CIS module is activated when you run the CIS Wizard. For more information please refer to *Using the CIS Module Activation Wizard* on page 7.

Each time you send information to HMRC, using eSubmissions, the software displays these details for you to check before submitting the information.

Updating the eSubmissions module

From time to time we make changes to the eSubmissions module. If this does happen you will be notified and advised to update your module.

To do this:

1. Choose Help > Check for CIS Internet Submissions Updates.
If you need an updated module a message appears. Read the message carefully.
2. To progress, click Yes.
The File Download window appears. After a short wait, a message appears.
3. To close your software, click OK.
4. Click Finish > Accept Licence and follow the instructions to complete the installation.

Setting up CIS

To get CIS ready to use:

- ☐ Run the CIS Activation Wizard. The wizard is designed to capture your CIS information and set up the items needed for the software to work correctly.

The CIS Activation Wizard is explained in the Installation and Upgrade booklet that accompanied your CD. For completeness, the information is also provided in this document in *Using the CIS Module Activation Wizard* on page 7.

- ☐ Set up subcontractors records.

- New to Sage 50 Accounts?

See *Setting up subcontractor records* on page 9.

- Upgrading from an earlier version of Sage 50 Accounts?

You may need to create new records. Please refer to *Setting up subcontractor records* on page 9. Or you may prefer to add CIS subcontractor details to existing supplier records. To do this, open the supplier record, click the CIS tab and then click Add CIS subcontractor details. Enter the subcontractors details and then click Save.

For you to add CIS subcontractor details to an existing supplier record, the record must use pounds sterling as its currency. You can't add CIS subcontractor details to foreign currency supplier records.

I have suppliers who are also subcontractors?

In this instance we recommend you set up a supplier record with the additional CIS subcontractor details, not separate supplier records. This will keep all information about purchases and work carried out by this person on a single record. For business reasons you may prefer to create separate supplier records, with one used to record the additional CIS subcontractor details, but there are no software benefits to be gained from doing this.

- ☐ Record opening balances. If you have created new subcontractor records, record opening balances for them. If you have added CIS subcontractor details to existing supplier records, this is not necessary.

Full details about open balances are provided in a supporting guide; just follow the instructions given for suppliers. The guide is supplied as a PDF with the software. To view the guide, from the software's menu bar choose Help > Opening Balances.

Note: The CIS screens and options described and illustrated in this guide are only visible once you have activated CIS.

Using the CIS Module Activation Wizard

You must use the CIS Wizard to activate the CIS module. It captures CIS information in a controlled way, so that nothing important is missed. It is easy to use, all you need to do is follow the on screen instructions.

The key things the wizard deals with are:

- Creating nominal codes for CIS use.

We suggest a list of nominal accounts that are created for you when you run the CIS Activation Wizard. For more information please refer to *CIS nominal accounts* on page 2.

- Capturing your CIS details.

These are your CIS registration details with HMRC, such as your Unique Taxpayer's Reference (UTR).

If you don't have your CIS details, you don't have to enter them into the wizard. You can enter them into the software another time. However, until the details are recorded you cannot use eSubmissions to submit information to HMRC. When you have the details, choose Settings > Company Preferences > CIS tab, and then enter the details into the CIS Details section of the window.

- Capturing your e-Submissions details.

These are the User ID and Activation PIN you received, when you registered with the Government Gateway. For further information, please refer to *Setting up a connection to HMRC* on page 4.

If you have not yet registered with the Government Gateway you can enter these details into the software another time. When you have the details, choose Settings > Company Preferences > CIS tab, and then enter the details into the eSubmissions Credentials section of the window.

- Setting up CIS Tax Rates.

The software sets up two rates for you: the standard rate and the higher rate. At the time of publication these rates are 20% (Net) and 30% (Higher). The rates are subject to change, and you should check HMRC's website regularly for the latest information. If they do change, you would need to change the rates in the software. Choose Settings > Company Preferences and then click the CIS tab.

- Registering your CIS module.

To use the CIS module you need to enter the module's Serial Number and Activation Key. You can find this information on the despatch note supplied with your software. If not, you can phone us on 0845 111 6666.

To run the CIS Activation Wizard

1. Choose Tools > Activation > Enable Construction Industry Scheme.

The CIS Activation Wizard appears.

Detailed information about the wizard is provided in the software's Help system.

Setting up subcontractor records

Subcontractor records hold key details about the subcontractors you deal with and the financial relationship you have with them. Without these records you cannot process subcontractor payments using Sage 50 Accounts.

A subcontractor record is basically a supplier record, with additional information held on the CIS tab. Here is an illustration of the CIS tab on a subcontractor record.

The screenshot shows the 'Supplier Record' window with the 'CIS' tab selected. The window is divided into several sections:

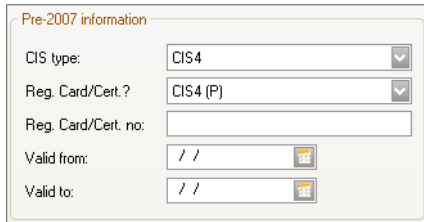
- Business type:** A dropdown menu showing 'Sole Trader'.
- Subcontractor details:** Fields for 'Trading name:', 'Legal name:', 'First name or initial:', 'Second name:', and 'Surname:'. There is also a checkbox for 'Use the legal name in reports'.
- References:** Fields for 'UTR:' and 'NINO:'.
- Verification status:** A dropdown menu showing 'Pending verification', a 'Verification number:' field, a 'Last verified:' date field, and a 'Tax treatment:' dropdown showing 'To be determined'. There are buttons for 'Verify Now' and 'Tax Treatment...'.
- Payment details:** A dropdown menu for 'Payment frequency:' showing 'Monthly', and checkboxes for 'Agreement to send monthly statements by email' and 'Agreement to pay a third party:'.
- Pre-2007 information:** A section with a note: 'If this subcontractor was used before the 2007 CIS reform, you can record information from that scheme for reference.' and a button 'Record pre-2007 information'.

At the bottom of the window, there are buttons for 'Save', 'Discard', 'Delete', 'Previous', 'Next', 'Print List', 'New Order', 'Duplicate', and 'Close'.

The details stored include the subcontractor's name and references, which makes them identifiable to you and HMRC. It also includes details about how the subcontractor should be paid, this covers:

- How often the subcontractor is paid.
- If the payments are to be made using a third party.
- If the subcontractor's monthly statement of deductions can be sent to them electronically, using email.
- Whether deductions for tax are made or if the subcontractor is paid the gross amount. This all depends on the subcontractor's tax status held with HMRC.

At the time of publication, subcontractors may be in possession of valid CIS Registration Cards or a certificate issued by HMRC. You can enter those details in the Pre-2007 information section on the subcontractor's record.



Pre-2007 information

CIS type: CIS4

Reg. Card/Cert.? CIS4 (P)

Reg. Card/Cert. no:

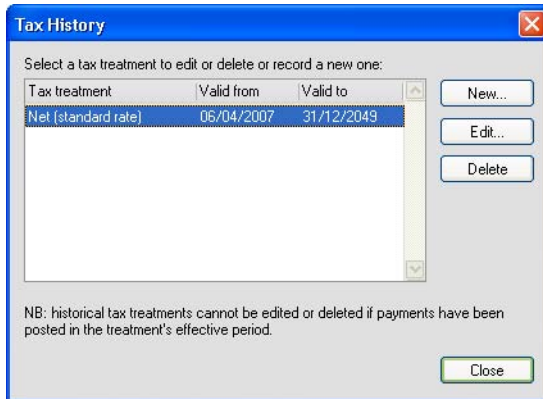
Valid from: / /

Valid to: / /

It is important to enter the correct information into the subcontractor's record as it will affect the subcontractor's pay and the information you send on a monthly basis to HMRC.

If you have a supplier that is also a subcontractor, we recommend you set up a supplier record with the additional CIS subcontractor details, not separate supplier records. This will keep all information about purchases and work carried out on the one record. For business reasons you may prefer to create separate supplier records, with one used to record the additional CIS subcontractor details, but there are no software benefits to be gained from doing this.

From the record you can view the subcontractor's tax history to check their tax rate at different times in the year. You can also use the Tax History to change the subcontractor's tax rate for a given period. However, the tax rate can only be changed for current and future tax months, not tax months that have been included in your CIS monthly return.



Tax History

Select a tax treatment to edit or delete or record a new one:

Tax treatment	Valid from	Valid to
Net (standard rate)	06/04/2007	31/12/2049

New... Edit... Delete

NB: historical tax treatments cannot be edited or deleted if payments have been posted in the treatment's effective period.

Close

You can also verify a subcontractor when viewing their record. Alternatively, you may prefer to verify several subcontractors at the same time using the CIS Subcontractor Verification Wizard. For more information see *Verifying subcontractors* on page 12.

How do I set up subcontractor records?

You can:

- Add subcontractor details to a supplier record by clicking the record's CIS tab and then clicking Add CIS subcontractor details.
- Create a supplier record and then add the subcontractor's details to it.

You will need to create a supplier record from scratch, entering details directly into a blank supplier record. To do this, choose Suppliers > Record. Then to include the subcontractor's information, click Add CIS subcontractor details on the CIS tab.

Full details on how to set up subcontractor details are provided in the software's Help system

Dealing with subcontractors

Subcontractors can be viewed in the Subcontractors list, as well as the Suppliers list. You may prefer to view subcontractors from the Subcontractors list. This provides access to more of the tasks you will want to carry out for a subcontractor, such as processing payments.

A/C	Name	Balance UTR	Last Verified Date
SUB01	Subcontractor 1	0.00	
SUB02	Subcontractor 2	0.00	
SUB03	Subcontractor 3	0.00	

Verifying subcontractors

Subcontractor details must be verified with HMRC before payments to them can be processed. However, it is possible that a subcontractor is already verified with HMRC, for example, if they have a valid tax certificate or registration card. For more information about this refer to *Frequently Asked Questions* on page 25.

We have included a quick way for you to verify subcontractors over the Internet using eSubmissions. Your PC must be connected to the Internet as the software needs to connect to the information held by HMRC. You also need to have registered with the Government Gateway and entered your User ID and Activation PIN into the software's eSubmissions settings. For further information, refer to *Setting up a connection to HMRC* on page 4.

When you choose to verify subcontractors, the CIS Subcontractor Verification Wizard appears. You then choose the subcontractors you want to verify. You can select one, several or all subcontractors, up to one hundred in total.

When you verify subcontractors there are two possible outcomes. Either a subcontractor is recognised as being registered to the scheme or they are not.

- The subcontractor is recognised by HMRC.

The wizard displays a tax rate for the subcontractor. This will be used to calculate the subcontractor's payments.

The software updates the subcontractor's record to indicate a status of Verified with HMRC, together with the tax rate, verification number and date.

- The subcontractor is not recognised by HMRC.

The subcontractor is highlighted in the wizard's window. A tax rate is not displayed.

If you are sure the subcontractor's details are correct, you can choose to continue to verify the subcontractor. This will mean HMRC will apply the higher rate of tax to the subcontractor.

The software updates the subcontractor's record to indicate a status of Verified with HMRC, together with the tax rate, verification number and date. A suffix is added to verification number for an unrecognised subcontractor. For example V0000543267/B.

Alternatively you can contact HMRC by phone and verify your subcontractors with them. Once you have the information, you can then update the subcontractor records yourself.

Note: If a subcontractor has agreed to be paid via a third party, the third party supplier associated with the subcontractor's record is also verified. This follows the CIS rules set by HMRC. The tax status of the third party supplier can affect the tax rate applied to the subcontractor, as shown in the following table.

Third party tax status	Subcontractor tax status	Tax rate applied
Gross	Gross	Gross
Higher	Gross	Higher
Standard	Gross	Standard
Any	Higher	Higher
Any	Standard	Standard

To verify subcontractors using eSubmissions

1. Choose Suppliers > Sub-Contractors List.
The Sub-Contractors list appears.
2. Click Verify.
The CIS Subcontractor Verification wizard appears, displaying the subcontractors that need to be verified. If you selected subcontractors from the Sub-Contractor list, then only those you chose are displayed.
3. Select the subcontractors you want to submit to HMRC, then click Next.
The software now checks the information needed by HMRC is available in the subcontractor records.
The Check Data window appears. This window indicates whether problems have been found with the information.
4. If problems are found, click Details to identify what information is missing.
You can then choose to remove a subcontractor from the submission by clicking Verify Later. Or you can continue, knowing HMRC will apply the higher rate of tax to any subcontractor they don't recognise.
5. To proceed, click Next.
The Sage internet Submissions Wizard appears, displaying the Important Notice window.
6. To confirm you want to proceed, click Continue.
The Check your Details window appears.
7. Check your User ID and Company Details are correct and then click Submit.
The software now prepares and then submits the information to HMRC. This may take some time depending on how busy the Government Gateway is and the speed of your Internet connection. While it does this the Submitting window appears indicating the progress made. During this time you cannot use Sage 50 Accounts.
When the information has been successfully submitted to the Government Gateway, the eSubmissions Finished window appears. To view details of the submission, use the [Click here link](#).
8. Check the results of the submission in the Review Results window of the CIS Subcontractor Verification wizard. A tax rate is applied to each verified subcontractor.
Any subcontractor that has not been recognised by HMRC is highlighted in the list. If you are sure the subcontractor's details are correct or want to complete the process, click Verify Unrecognised Subcontractors. The information is submitted again to HMRC, this time the higher rate of tax is applied to the subcontractor.

9. To complete the verification, click Finish.

The wizard closes and the software updates the subcontractor records with details of the verification.

If the submission has not been successful, the Finished window displays a submission failure message. To view details of the failure use the Click here link. The Submissions Log window appears. Before attempting to submit to the Government Gateway again, you must correct the data problems identified in the log.

Recording work done and materials used

To record work completed and any materials used by your subcontractors, use Batch Supplier Invoicing.

Before you can do this any subcontractor you want to pay must be verified with HMRC. This will result in the subcontractor having a status of Verified with HMRC or Not required set on their record. For more information please refer to *Setting up subcontractor records* on page 9.

To record an invoice, from the software menu, choose Supplier > Subcontractor List > Invoice.

You can enter several invoices for different subcontractors at the same time. This is referred to as batch invoicing, and speeds up invoice entry. Where your subcontractor has invoiced you for labour and materials, keep these items separate by entering each into its own row in the invoice window. This ensures that tax is dealt with correctly.

When you have been charged for materials, the VAT the subcontractor has paid is dealt with differently, depending on whether they are VAT registered or not.

- VAT registered: Don't include the VAT they have paid for any materials they are charging you.

- Not VAT registered: Include the VAT they have paid for any materials they are charging you.

If your subcontractor has agreed to pay the CITB levy you will need to calculate and deduct the levy manually.

The software works out the tax payable per item line based on the net amount entered. It does this using a combination of the subcontractor's tax rate and the nominal code you apply to the item. Tax is not payable for nominal codes associated with materials and other non-taxable items. This ensures the correct values are used to generate your HMRC monthly return.

Tip: If you record invoices for subcontractors that are basically the same each week or month, click Memorise to save the information so you can use it again and again. When you are ready to use it, click Recall. Subcontractor memorised invoices are quite separate to supplier memorised invoices. You cannot recall a supplier memorised invoice and use it for your subcontractors.

If you want to know more, especially about the behind the scenes postings, please refer to *Frequently Asked Questions* on page 25.

Note: Printed documents are not produced when processing invoices.

To record work and materials used

1. Choose Suppliers > Subcontractors List > Invoice.

The Batch Subcontractor Invoice window appears.

2. Enter each invoice item one-line at a time, applying a taxable or non-taxable CIS nominal account to calculate the correct amount of deductible tax.

When adding materials to the invoice, if the subcontractor is VAT registered exclude the VAT paid for the materials. If the subcontractor is not VAT registered, include the VAT paid for the materials.

Detailed information about entering invoice items is provided in the software's Help system.

3. If you calculated the batch totals manually before you started entering them into your software, check your batch totals against those shown on the Batch Subcontractors Invoice window.

4. To accept your entries, click Save.

5. If you want to clear the data and start again, click Discard

Tip: If you click Discard, this does not affect the invoice details you have already saved.

6. To exit the window and return to the Subcontractors list, click Close.

Payments are recorded on an individual basis for each subcontractor. You can print cheques for your subcontractors. If you want a printed list of paid invoices, a remittance is available with each printed cheque.

Subcontractor invoices must be paid in full, part payments cannot be made.

If the subcontractor records are setup for online payments, you can send payments to them electronically, using e-Banking. For full details see the software's Help system.

How do I deal with late payments?

If the payment belongs to a period that has been included in a monthly return that has been submitted to HMRC, you must inform them.

When you record the payment, enter a payment date that belongs to the closed period. This means the payment won't appear on your next monthly return.

If the payment was subject to tax deductions, you need to move the tax liability into the nominal account that deals with the liability when a payment is made to HMRC. To do this, create a journal, to move the tax liability from CIS Tax Control to CIS Tax Liability.

When you are ready to send the tax deductions to HMRC, use Bank Payments (Bank > Payment). As you record the payment, select the CIS Tax Liability nominal account to reduce the tax liability.

Sending statements to subcontractors

Where tax is deducted from payments, you must provide a monthly statement to subcontractors. It is also good practice to provide a statement to subcontractors that have been paid gross.

The statement is generated as a report. Once you have generated the report you can:

- Print the statement and hand it to your subcontractor, or
- Email the statement to them, provided they have agreed to this.

The subcontractor's record includes an Agreement to send monthly statements by email check box. This check box must be selected if you want to use this method.

If the subcontractor's payment is made to a third party, the statement is emailed to the subcontractor, not the third party. This follows the CIS rules set by HMRC.

The following is an example of a subcontractor statement.

SubContractor Monthly Statement	
MONTHLY RETURNS	
Contractor's Employer's Reference Number: 123/R023	
Construction Industry Scheme Statement of payment and deduction for month ending: 05/05/2007	
Subcontractor	
Name:	
Unique Tax Payer Reference	2234567890
NINO:	YW000003A
CRN:	
Higher Rate Verification Number:	V5678912345
	£
Gross amount paid (Excl VAT and CITB levy): (A)	1,000.00
Less cost of materials:	600.00
Amount liable to deduction	400.00
CIS Tax Deducted: (B)	80.00
Amount Payable: (A_B)	320.00

If you need to issue a duplicate, you must mark the document clearly to indicate that it is a duplicate statement.

To send statements to subcontractors

1. Choose Suppliers > Subcontractors List > Statements.
2. Select the statement you want to generate from the list.
3. To generate a printed copy of the statement, select Printer from the Output drop-down list then click Generate Report.
4. To send the report by email, select e-Mail from the Output drop-down list then click Generate Report.

The statement is generated by Report Designer, supporting software supplied with Sage 50 Accounts. Follow the on screen prompts that appear. For information about generating and emailing reports, please refer to the Report Designer Help system.

Dealing with HMRC

In addition to verifying your subcontractors with HMRC, you need to send them a monthly CIS return and the subcontractor tax deductions you have made. The following explains these activities.

Sending your CIS monthly return to HM Revenue & Customs (CIS 300)

The software supports both two types of returns:

- A monthly return that includes the tax deductions you have made.
- A nil return.

You can also use the software to make an Inactivity Declaration. You can send this information to HMRC at the same time as you send a return. The Inactivity Declaration is simply attached to the return you choose to send.

Before you generate the return you must ensure you have processed all your subcontractor payments for the month.

When you generate your monthly return the software brings together all the information you need. This includes:

- The subcontractors who have completed paid work for you in the month.
- The amount they have charged for labour and/or materials.
- Their unique reference numbers and national insurance numbers.
- Their verification number, but only if they pay the higher rate of tax.
- The amounts of tax, if any, which has been deducted from their payments.

To generate your monthly return, from the Subcontractors window, select Return.



The Submit Monthly Return window appears.

Note: The return cannot include negative figures, nor can it be amended once it has been submitted to HMRC. HMRC provide details on what you should do if you find a mistake in a monthly return you have already sent to them. Full details are available on their website.

You can then send the return to HMRC using eSubmissions. For eSubmissions to work your PC must be connected to the Internet, as the software needs to connect to the information held by HMRC. You must also have registered on the Government Gateway and entered your User ID and Activation PIN in the software's eSubmissions settings. For further information about this please refer to *Setting up a connection to HMRC* on page 4.

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If you don't want to use eSubmissions you can transcribe the information onto the paper copy of the monthly return sent to you by HMRC, and then post it to them. If you choose to do this, the next time you generate your monthly return the previous month's details are displayed as overdue. At that point you should select the submission method you used to make the return by clicking Other Submission Method. The return details are then archived and marked as reconciled.

To generate your monthly CIS Return

1. Choose Suppliers > Subcontractors List > Return.
2. The Monthly Return window appears.

Note: If you did not use eSubmissions to submit your last monthly return, the previous month's details are displayed as overdue. Click Other Submission Method and select the method you did use.

The previous return details are archived and marked as reconciled. The Monthly Return window closes, so you will need to reopen it, starting again from step 1.

3. Set the Tax Month Ending date.
4. Check the list of subcontractors displayed and the deductions made.

To view the invoices that make up the total for a subcontractor, double-click the subcontractor's details. The Monthly Return Breakdown window appears.

To submit your monthly CIS Return using eSubmissions

1. Once you have generated your monthly CIS Return, click Submit.
The Submissions Declaration message appears. To proceed click OK.
The eSubmissions Wizard, Important Notice window appears.

2. To confirm you want to proceed, click Continue.
The Check your Details window appears.

3. Check your User ID and Company Details are correct and then click Submit.

The software now prepares and then submits the information to HMRC. This may take some time depending on how busy the Government Gateway is and the speed of your Internet connection. While it does this the Submitting window appears indicating the progress made. During this time you cannot use Sage 50 Accounts.

When the information has been successfully submitted to the Government Gateway, the eSubmissions Finished window appears. To view details of the submission, use the [Click here link](#).

4. To complete the submission, click Finish.
The wizard closes and a copy of the return is archived for future reference.

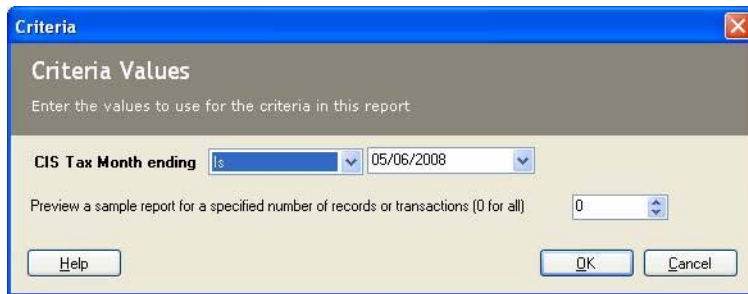
If the submission has not been successful, the Finished window displays a submission failure message. To view details of the failure use the Click here link. The Submissions Log window appears. Before attempting to submit to the Government Gateway again, you must correct the data problems identified in the log.

Reporting

You can generate the monthly return as a report. When you generate the report you must set the report date for the fifth of the month.

1. Choose Suppliers > Subcontractors Lists > Reports and select the report from the list.

The criteria values window appears.



The image shows a 'Criteria' dialog box with the title 'Criteria Values'. It contains a text prompt 'Enter the values to use for the criteria in this report'. Below this, there is a 'CIS Tax Month ending' label followed by two dropdown menus. The first dropdown menu is set to 'Is' and the second is set to '05/06/2008'. Below these, there is a label 'Preview a sample report for a specified number of records or transactions (0 for all)' followed by a numeric input field set to '0'. At the bottom, there are three buttons: 'Help', 'OK', and 'Cancel'.

2. From the CIS Tax Month ending drop-down, select Is.
3. Set the date for the report, it must be the fifth day of the month. For example, 05/06/2008.
4. Click OK, and the report is generated in Report Designer.

Sending deductions to HM Revenue & Customs

We recommend you use the software's Bank Payment feature to send tax deductions to HMRC. From the software menu choose Bank > Payment.

With this method you can generate a printed cheque to send to HMRC. Or you may prefer to send the payment electronically to them using e-Banking. For full details see the software's Help system.

If you have made a late payment to a subcontractor, you can't use this method. For information on how to deal with late payments, please refer to *Paying subcontractors* on page 17.

Correcting mistakes

HM Revenue & Customs provide details on what you should do when mistakes are found in a monthly return you have sent to them. Full details are available on their [website](#).

Frequently Asked Questions

- **HMRC have changed the tax rates, how do I change them in Sage 50 Accounts?**

The tax rates are stored in the software's Company Preferences.

Choose Settings > Company Preferences and then click the CIS tab. Enter the new rates in the CIS Tax Rates section.

- **How can I check when I last sent my monthly return to HMRC?**

The software stores a copy of each return you have submitted to HMRC, with a confirmation of receipt attached.

To view submitted returns, choose Suppliers > Subcontractors List > Return > Archives. The Monthly Return Archive window appears. You can then select the latest return from list displayed to check its date.

- **How can I check whether a transaction has been included in a monthly return?**

Choose Company > Financials.

The Financials window includes a CIS column that provides the information you are looking for. If the letter 'r' is displayed in the column, then the transaction has been reconciled and included in the monthly return.

- **Why can't I create a subcontractor record when invoicing?**

A subcontractor must be verified with HMRC before you can record an invoice for work they have completed. Until then the software can't apply the correct tax rate to calculate their payments.

- **Why can't I invoice a subcontractor?**

A subcontractor must be verified with HMRC before you can record an invoice for work they have completed. Check the subcontractor's record. If their verification status is 'Pending verification', verify them with HMRC and then record the invoice.

■ **How does Sage 50 Accounts deal with tax deductions?**

When you record an invoice for work that has been completed by a subcontractor - labour only or other taxable items, the software posts values to the CIS Labour nominal account, the Creditors nominal account and the VAT nominal account.

When you pay your subcontractors the software automatically generates a credit note. This takes the tax amount for the item line from the Creditors nominal account and moves it to the CIS Tax Control nominal account. The credit note is allocated to the item line and does not affect either the VAT or the subcontractor's turnover.

■ **How does the software apply nominal codes to the nominal accounts?**

It finds the first unused code for the nominal account in its Category Type. As an example, take the CIS Tax Control nominal account. The software checks the Current Liabilities Category Type to find the first unused nominal code in that range.

■ **Are there any Sage 50 Accounts features that are not supported by the CIS module?**

The CIS module is designed to work seamlessly with Sage 50 Accounts. However, it does not support the following:

- Write Off, Refunds and Returns for CIS transactions, as they would have a detrimental effect on your monthly return and break CIS rules set by HMRC. Check HMRC's [website](#) for information on how to deal with mistakes and corrections.
- Foreign Trader, as the scheme only covers construction work carried out in the United Kingdom (UK).
- Retentions. If you have SageCover you can find details about this using Ask Sage - Detailed Article 11247 - To record retentions.
- Irish standard VAT or VAT Cash Accounting. The CIS module only deals with UK standard VAT and VAT Accounting schemes.

■ **When are deductions due to be paid to HMRC?**

Tax deductions in any period must reach HMRC within fourteen days, following the end of the tax month, or seventeen days, where payment is made electronically, or the next earlier banking day where this is a weekend or holiday.

For example, tax month ends 5 July 2007, payment is due 19 July 2007 or by 20 July as 22 July 2007 is a Sunday.

■ **When are monthly returns due?**

You must send the monthly return to reach HMRC no later than fourteen days after the end of the tax month to which it relates.

The tax month runs from 6 - 5. For example 6 April to 5 May. The return therefore must reach HMRC by 19 May.

■ **I haven't paid any subcontractors, do I still need to send a monthly return to HMRC?**

If you haven't paid subcontractors during the tax month you still need to make a Nil Declaration.

If you do not plan to pay subcontractors for an extended period, you can apply to HMRC to stop sending returns for up to six months.

■ **Do I need to verify every subcontractor?**

No, there are exceptions.

If you have received a CIS 333 or CD from HMRC, the subcontractors you have employed to date are listed in the information. Verification is not required for those listed by HMRC, but you must verify any subcontractor you intend to use that is not listed.

In addition, you do not need to verify a subcontractor if you have included them in a return in the current or previous two tax years and have seen either one of the following:

- Registration Card CIS4(P).
- Temporary Registration Card CIS4(T) - with an expiry date of 04/2007 or later.
- Tax Certificate CIS6 or CIS5 - with an expiry date of 04/2007 or later.

However, if you are unsure, we would advise you to verify your subcontractors.

■ **How often do I need to verify a subcontractor?**

When you have verified a subcontractor or paid them in a situation where you did not need to verify them, you can continue to pay that subcontractor without further verification. That is provided the previous payment to the subcontractor was made in the current or two previous tax years. Otherwise, you need to verify them again.

However, should the subcontractor notify you of a change to their business type, for example from a sole trader to a partner in a partnership, then the subcontractor's latest details must be verified with HMRC. If this does occur, we recommend you create a new record for the subcontractor and then verify their new details.

■ **I have overpaid my subcontractor, what should I do?**

You can record a credit for the subcontractor to reduce the money you owe them. This is basically a negative invoice. To do this, choose Suppliers > Subcontractors List > Credit.

Before doing so, please check HMRC's [website](#) for details about correcting mistakes.

■ **Can I consolidate companies? (Accounts Professional only)**

Yes, you can consolidate CIS companies with non-CIS companies.

