Employment tax: recent CIOT correspondence with HMRC

Employment Tax



19 May 2025

The CIOT has recently written to HMRC regarding the Construction Industry Scheme and traffic management activities, and Scottish taxpayers in self-assessment.

Construction Industry Scheme and traffic management activities

We highlighted the need to better publicise the new HMRC guidance on construction operations in traffic management (tinyurl.com/56uxwjtp), which took effect in March 2025.

We queried HMRC's approach to traffic management businesses that have not registered with HMRC as Construction Industry Scheme (CIS) sub-contractors for activities within the scope of the scheme because they are not aware of the change in HMRC's approach, and HMRC's approach to contractors if they fail to deduct CIS on payments for in-scope activities. We also asked about the impact on businesses that have previously received rulings from HMRC regarding the treatment of their

activities.

We have also sought clarification of other factors, such as where a business starts to be treated as a deemed contractor, from which point they start counting to determine whether they have exceeded the £3 million VAT-exclusive threshold for expenditure on construction operations within the previous rolling 12-month period and thus should register with HMRC. We also asked for further clarity on what falls within the scope of 'traffic management'.

Scottish taxpayers in self-assessment

We continue to raise with HMRC our concerns with how, in some circumstances, HMRC determine an individual's place of residence and hence whether they are a Scottish taxpayer.

This typically arises where a taxpayer has more than one place of residence, or where HMRC hold an address that doesn't accurately reflect the taxpayer's main place of residence (such as care of the taxpayer's employer's address).

HMRC will pre-populate the taxpayer's self-assessment return using the address they hold, and the taxpayer can amend this on the return. However, in practice, this does not appear to flow through HMRC's systems, and HMRC continue to use the original address to determine that taxpayer's residence and use their powers under TMA 1970 s 9ZB to (incorrectly) amend the return.

At present, a taxpayer must write to HMRC to correct its incorrect amendment. We are hoping to work with HMRC to find a practical resolution to this issue.

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