The Income Tax (Construction Industry Scheme) (Amendment) Regulations 2026: CIOT comments

OMB Employment Tax

April 2026



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The CIOT has commented on draft Construction Industry Scheme regulations and suggested that improvements to HMRC processes would remove the need to reintroduce a requirement for contractors to make a nil return.

The CIOT responded to a technical consultation on draft regulations (The Income Tax (Construction Industry Scheme) (Amendment) Regulations 2026), which would exempt payments made to local authorities or public bodies from the scope of the Construction Industry Scheme. The draft regulations also require construction contractors to file a nil return when they have not paid any subcontractors in a month, unless they have notified HMRC in advance that they will not make any such payments that month. We considered that requiring a nil return when a contractor has not made any payment to subcontractors in a tax month would add an

unnecessary administrative burden on tax compliant businesses.

The reintroduction of this requirement reverses the decision made in 2015 to scrap nil returns because they created unnecessary administrative burdens for both contractors and HMRC, and caused avoidable penalties and frustration for compliant businesses. Removing the obligation was intended to simplify the administration of the Construction Industry Scheme, reduce burdens without reducing compliance, and allow more subcontracting businesses to achieve and maintain gross payment status.

HMRC's reasoning for reintroducing nil returns is that they 'found that the removal of the nil filing obligation did not reduce administrative burdens for contractors or for HMRC'. This is because erroneous late filing penalties have been issued, which could only be prevented by businesses voluntarily filing nil returns.

The CIOT recommended that government reconsider the proposal and refrain from reintroducing this additional burden on businesses. A better approach, we suggested, would be for HMRC to improve their processes and systems to prevent erroneous late filing penalties being issued.

The full CIOT response is available here: www.tax.org.uk/ref1627.

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