

HMRC internal manual

Construction Industry Scheme Reform Manual

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<https://www.gov.uk/hmrc-internal-manuals/construction-industry-scheme-reform/cisr12080>

The Scheme: contractors: property developers and property investment businesses

Property developers

Property developers are included within the meaning of mainstream contractors because their business activity is the creation of new buildings, or the renovation or conversion of existing buildings, or other civil engineering works. The same is true of a speculative builder.

Property investment businesses

A 'property investment business' is not the same thing as a 'property developer'. A property investment business acquires and disposes of buildings for capital gain or uses the buildings for rental; it need not be involved in the construction, alteration or extension of buildings. Even so, if its property estate is substantial enough, its expenditure on construction operations may well cause it to fall within the meaning of a 'deemed contractor' (see [CISR12050](#)).

Where a business that is ordinarily a property investor undertakes some activities attributed to those of 'property development', they will not usually be considered a mainstream contractor during the period of that development. This is because the usual nature of the business is "property investment" and not "property development".

Where the property investment business enters into multiple or substantial contracts relating to construction operations for the purposes of development of one or more properties, you will need to decide if the nature of that business has now changed from "property investor" to "property developer", in which case they would now be considered to be mainstream contractors as the nature of their business has changed. Where, at a future date, they revert to property investment activities only, then their status as a deemed contractor should be applicable once again. If their expenditure is likely to remain below £1m annually, then deregistration from CIS may also be considered appropriate.

However, where it is clear that further property development is likely to be undertaken in the future, it may be more appropriate for the business to remain registered for CIS. Where property development appears to be a regular and substantial activity of any business purporting to be a property investment business, then they are likely to be a property developer and therefore a mainstream contractor within CIS.

Example

A property investment business acquires a number of properties which it intends to let, but before letting, minor refurbishment is required to bring the properties up to a suitable standard to be able to let them. For CIS purposes we would see this as the normal activities of a property investor, and where the average annual expenditure on such activities exceeds £1m then CIS applies.

The property investment business then acquires a large dilapidated hotel to add to its portfolio, and decides to convert the building into a series of flats which it will then individually let out. As a result, substantial development is required to the property to change the building to its new use. In respect of this particular development and contract we would regard the property investment business as having taken on the mantle of a mainstream contractor as its business activity is now that of construction operations.