

## **Creating a Deduction Statement for a Subcontractor Payment**

By now you should have carried out the CIS Folder Setup, Deduction Statement Template Setup and also the CIS Payments workbook Setup. If you have not done so, you will need to do this before you can proceed.

**Critical Note.** You must **only** run the CIS Payments workbook and Deduction Statement Template using Microsoft Excel (2010 and above or 365) desktop application for PC.

You **must not** use the workbooks with Microsoft **Excel Online** or any other **non-Microsoft** office application, online or desktop.

By default, any saved copies of the workbooks will be saved in the Microsoft Excel Binary file format. **Do not** attempt to change or save in a different file format.

Failure to abide by the above will most likely corrupt the workbooks.

Firstly, we will create a folder for the subcontractor in which we will save the Deduction Statement to.

Then we will create and save the Deduction Statement for the subcontractor.

Follow the instructions below.

**Important Note.** When you are using the Deduction Statement Template workbook (as in these instructions) you **must not** use the “Cut” or the “Drag and Drop” functions.

If you use the “Cut” or the “Drag and Drop” functions, this will likely cause errors in the workbook.

You can use the “Copy” and the “Paste” commands.

For these instructions - by way of example, we are creating a Deduction Statement for a subcontractor as per the below.

The subcontractor’s name is John Smith.

The invoice number is 021.

John Smith’s UTR number is 1234567891.

John Smith is registered for VAT.

John Smith is a Standard CIS deduction rate subcontractor.

The total of the invoice is £2,200.00 plus VAT.

The labour charge is £1,000.00 plus VAT.

The total invoice, including VAT, is £2,640.00.

We are making the payment to him on the 1<sup>st</sup> June 2014.

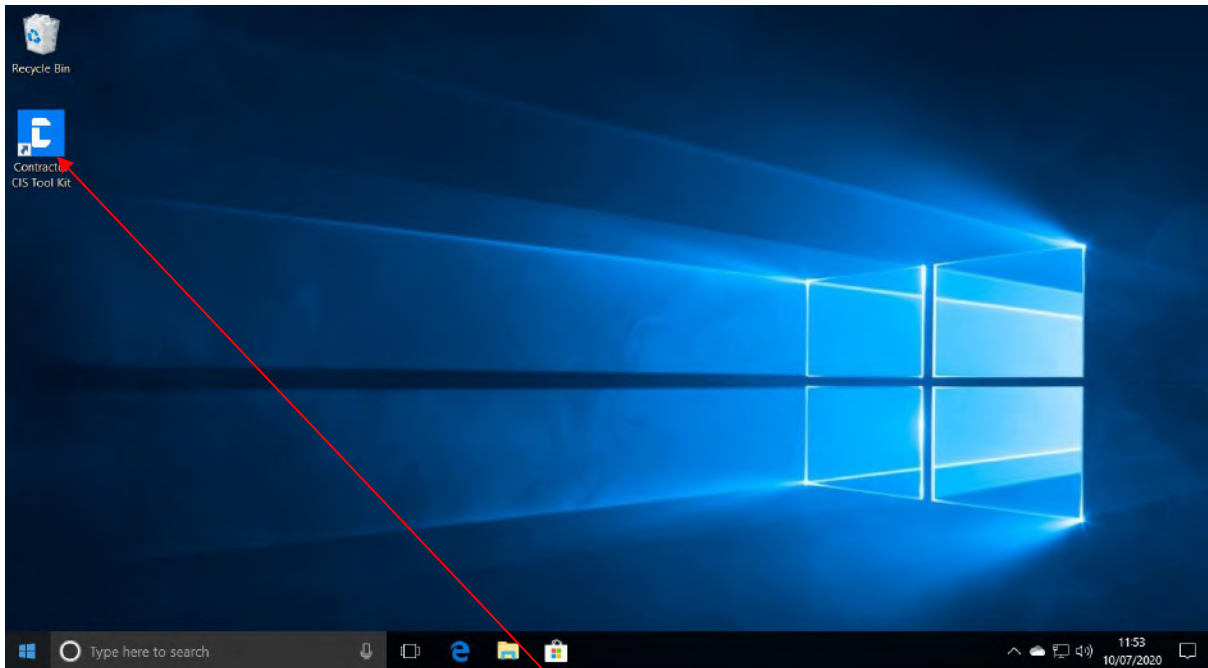
We are making the payment by Bank Transfer.

When you have received an invoice from one of your subcontractors.

**We will now create and set up a folder for this subcontractor.**

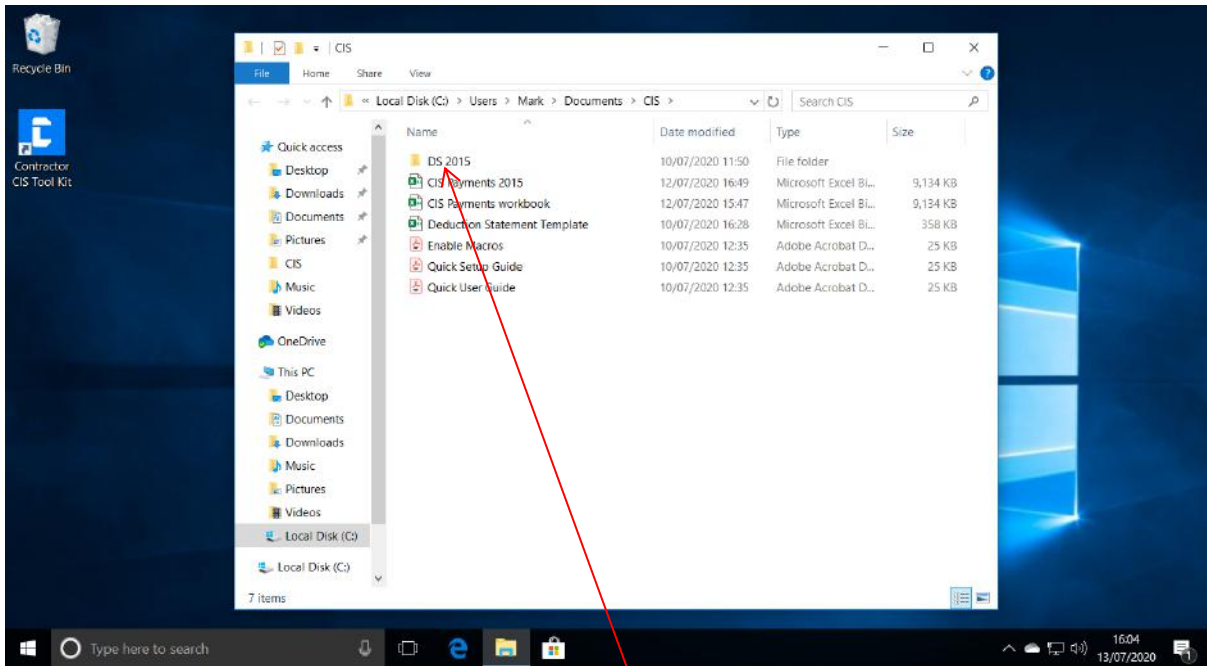
From the desktop as below.

**Note**, you will most likely have a few or a lot more icons on your desktop screen, but this is not important.



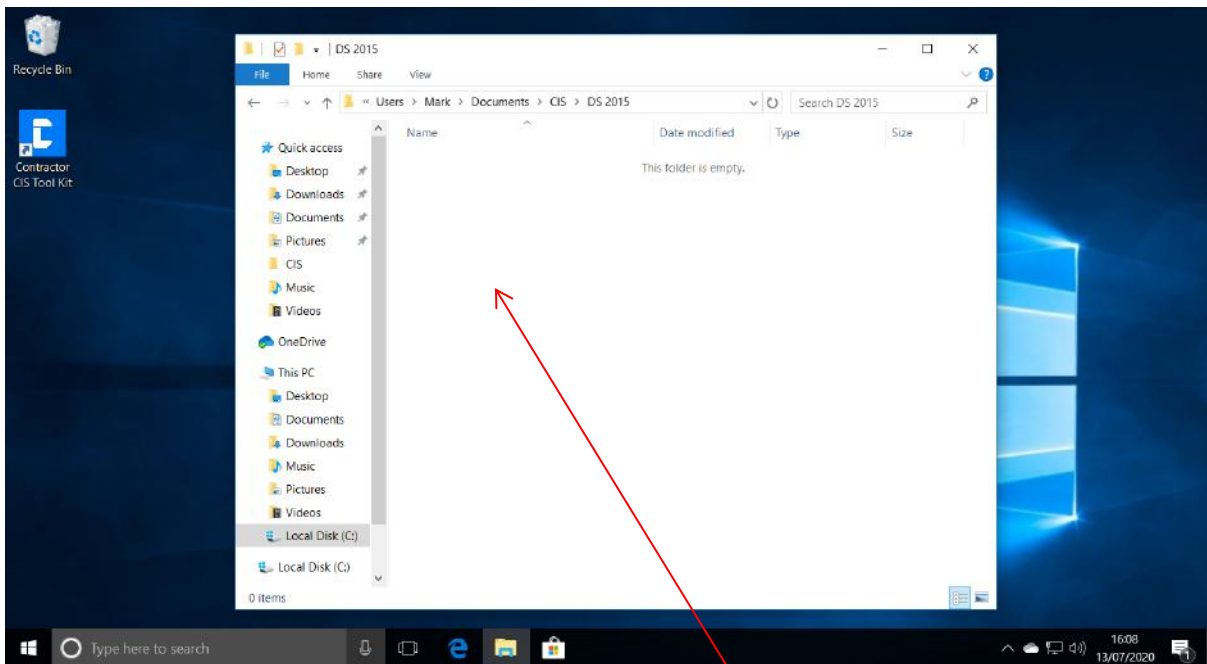
Using your mouse double left-click on the “CIS” folder icon.

You should now see a screen similar to below.



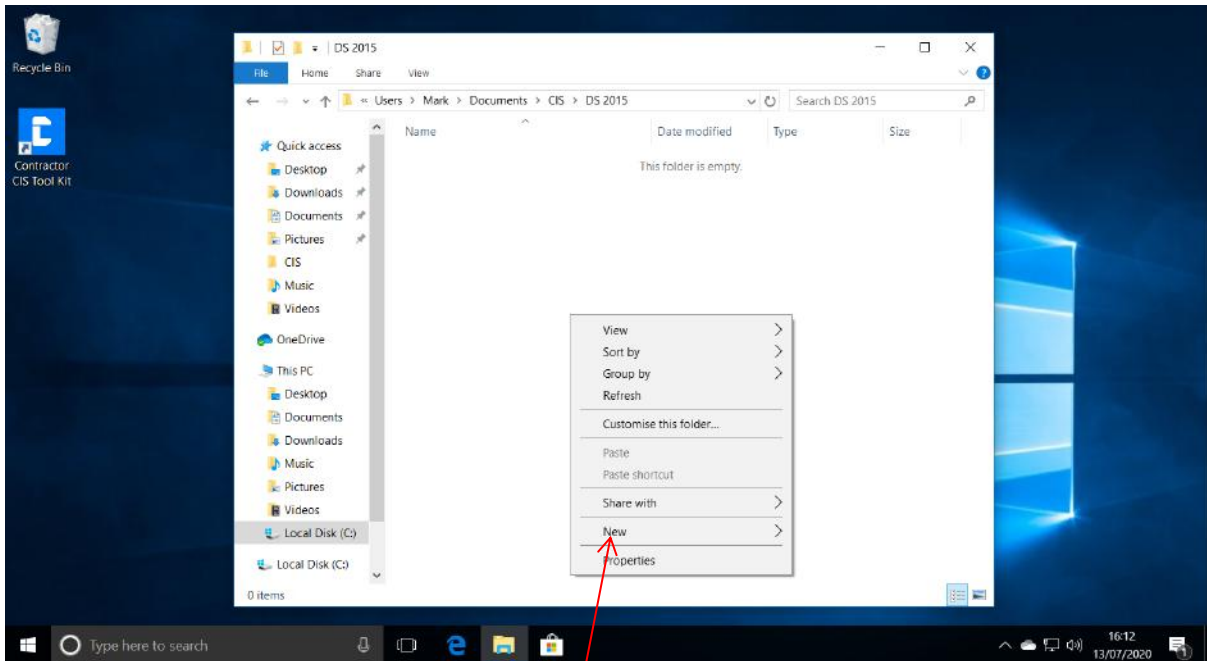
Next using your mouse double left-click on the “DS” folder to open it.

You should now see a screen similar to below.



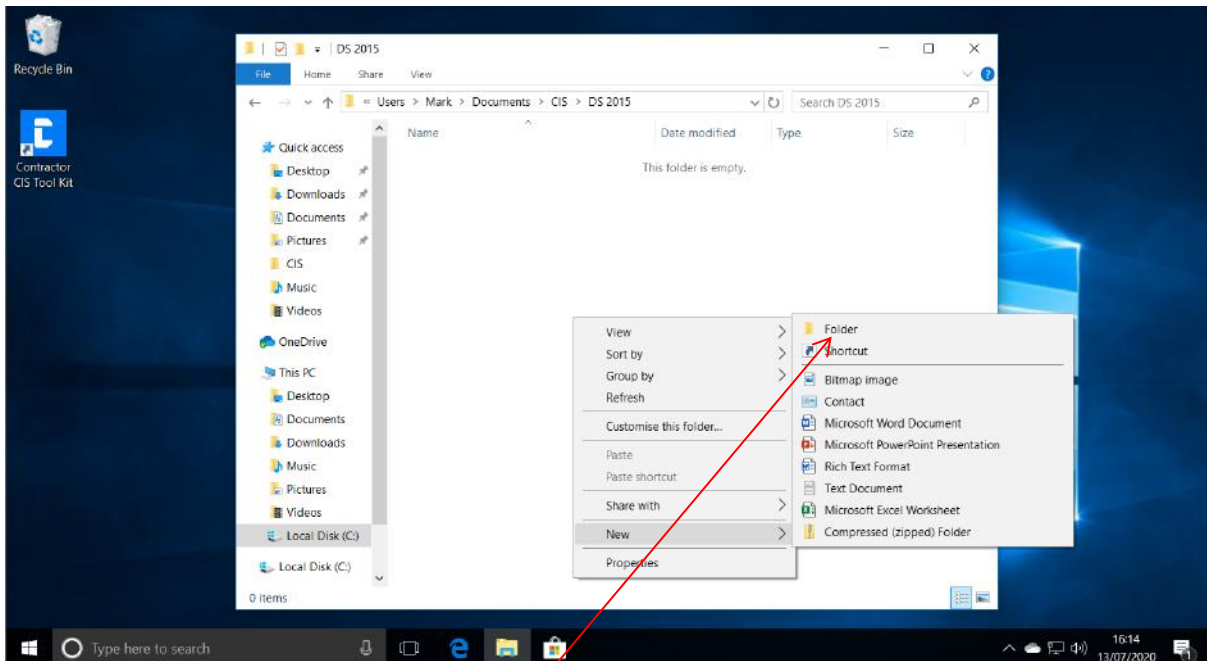
Next using your mouse right-click in a clear area in the “DS” folder – do not right-click on a folder or file.

You should now see a screen similar to below.



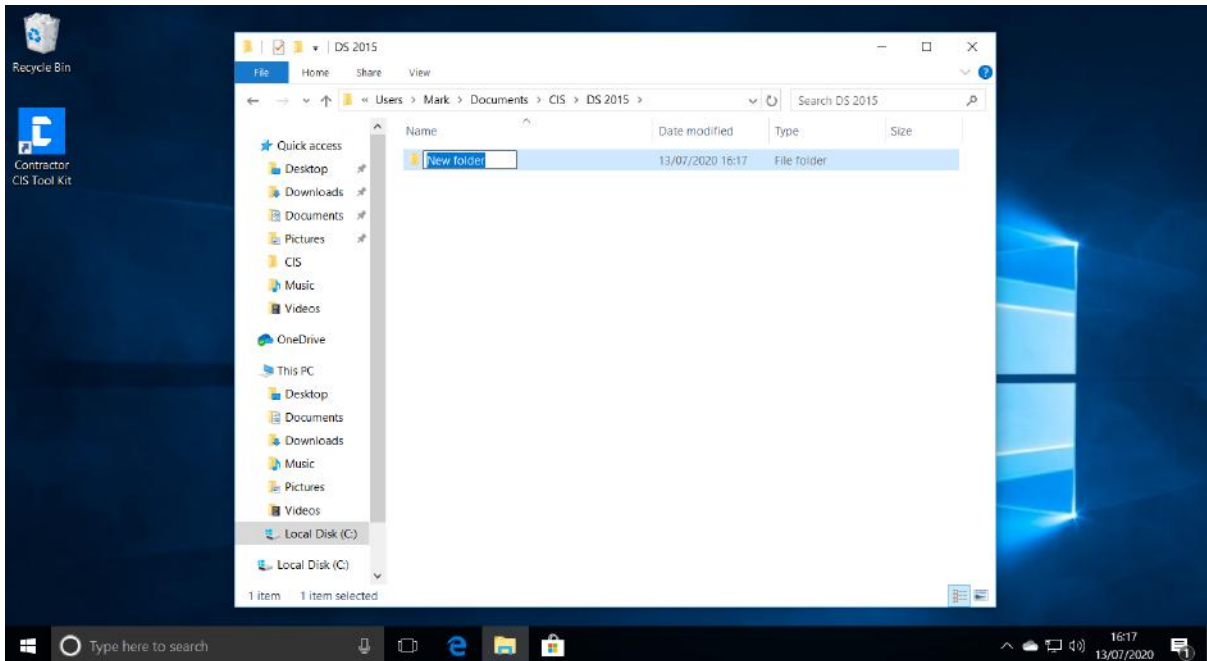
Next move your mouse pointer over the "New" tab - the "New" menu will open.

You should now see a screen similar to below.



Next using your mouse left click on "Folder".

You should now see a screen similar to below.



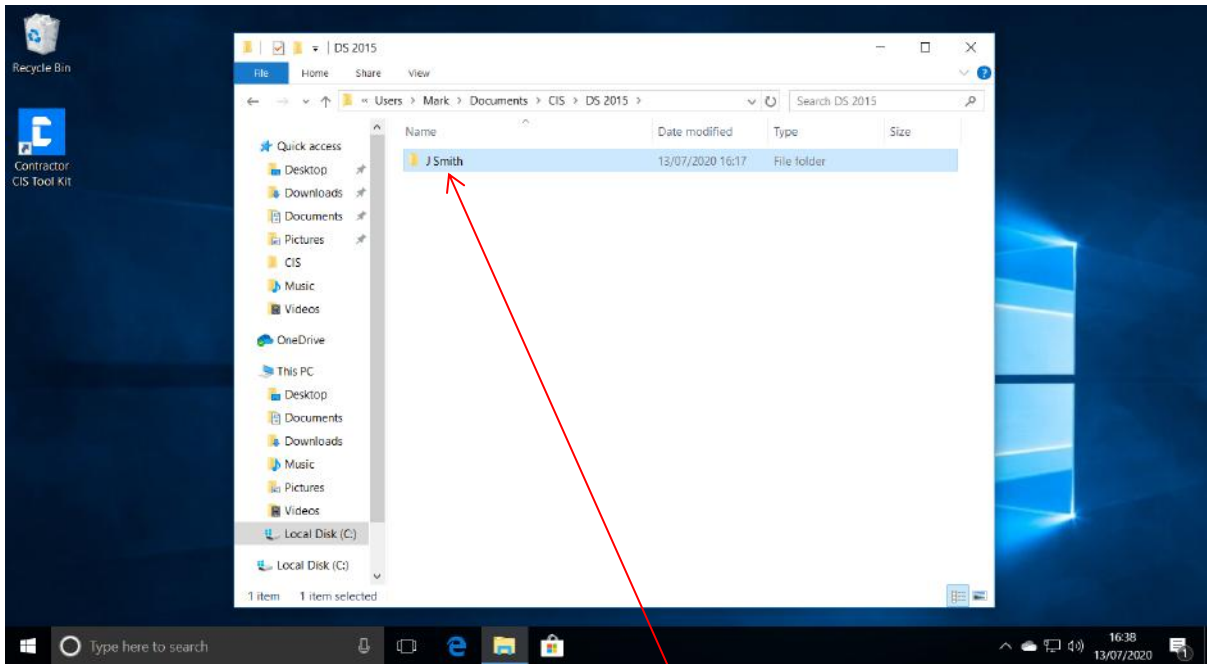
Type on your keyboard the subcontractor name or trading name and then press enter on your keyboard. I.e. the name of the subcontractor for the invoice that you are paying.

**Note**, the enter key is usually located towards the right side of your keyboard roughly in the middle. It usually has “ENTER” on it or an arrow similar to this,  $\leftarrow$  or it may have both the “ENTER” and the arrow on it.

**Note**, you should save all the Deduction Statements you create for this subcontractor to this folder.

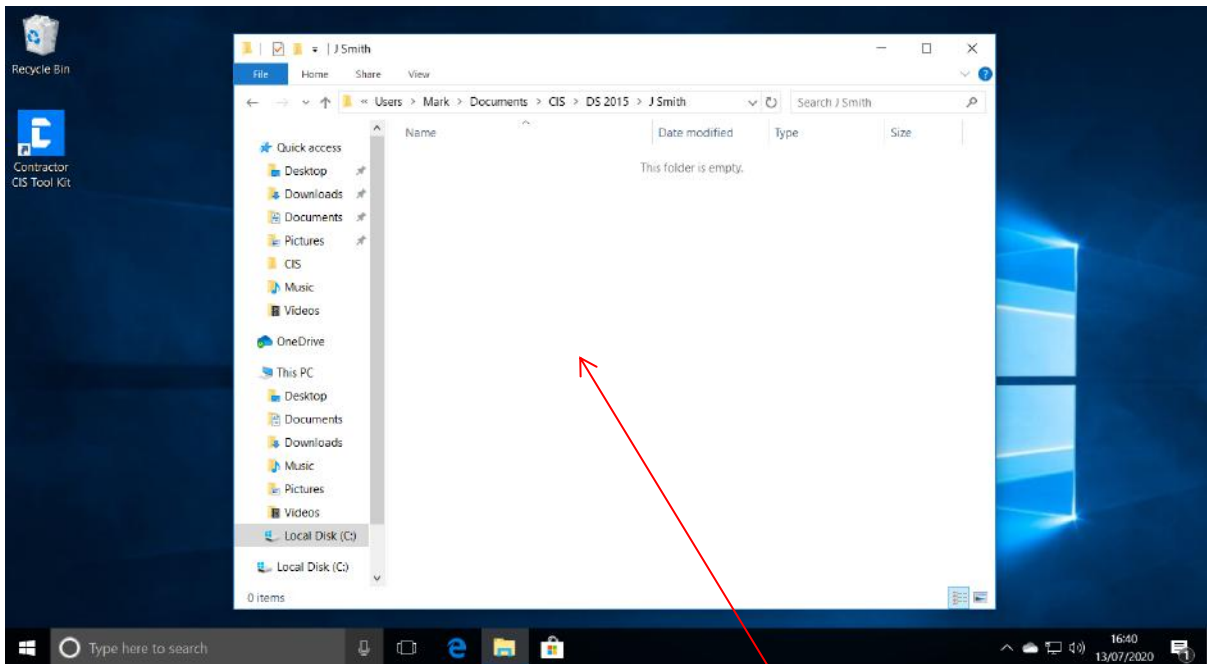
In our case, we are paying a subcontractor named “John Smith”, so therefore we will enter “J Smith” as the folder name.

You should now see a screen similar to below.



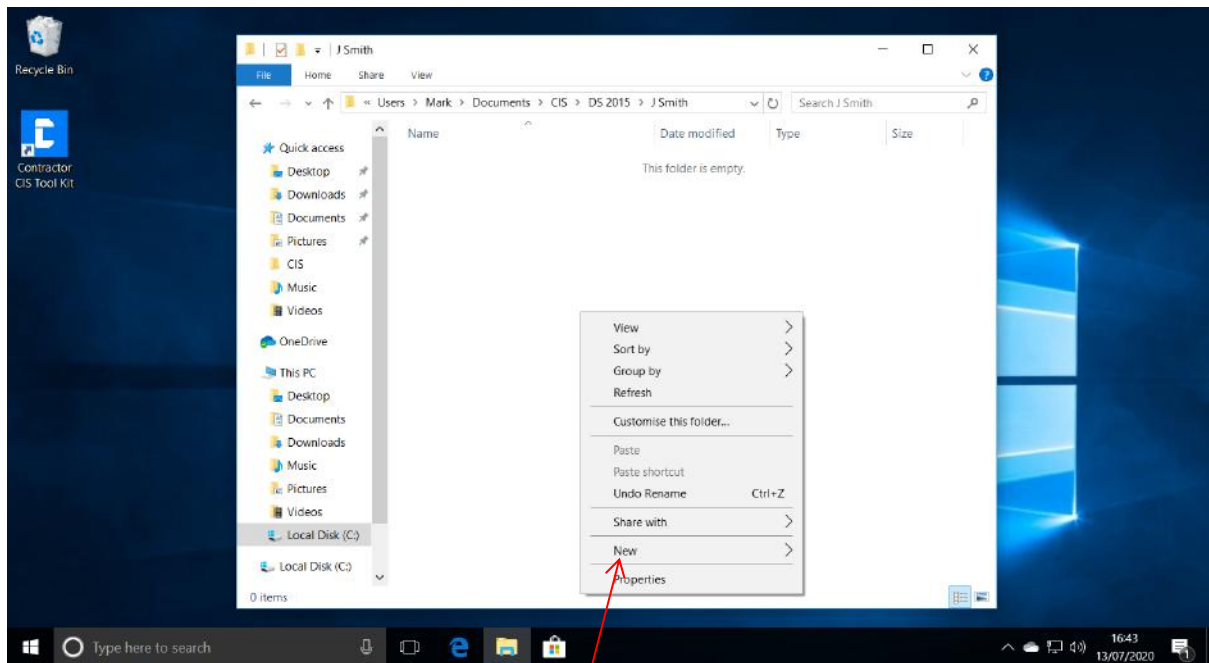
Next using your mouse double left-click on the “J Smith” folder to open it.

You should now see a screen similar to below.



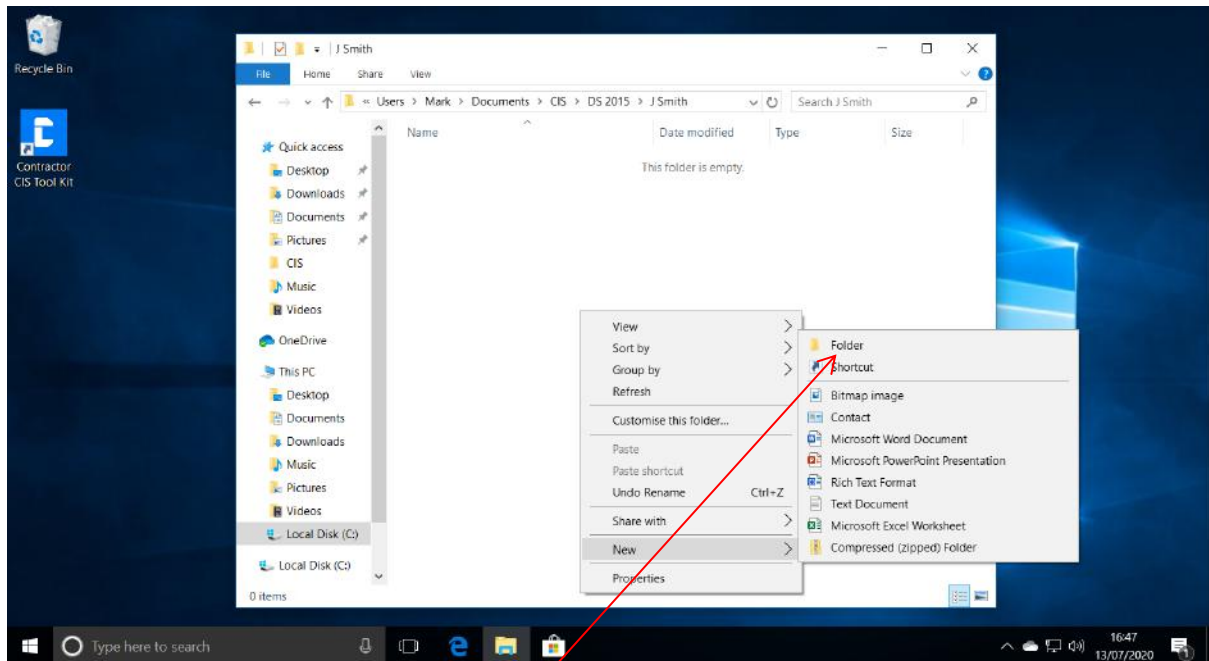
Next using your mouse right-click in a clear area in the “J Smith” folder.

You should now see a screen similar to below.



Next move your mouse pointer over the “New” tab - the “New” menu will open.

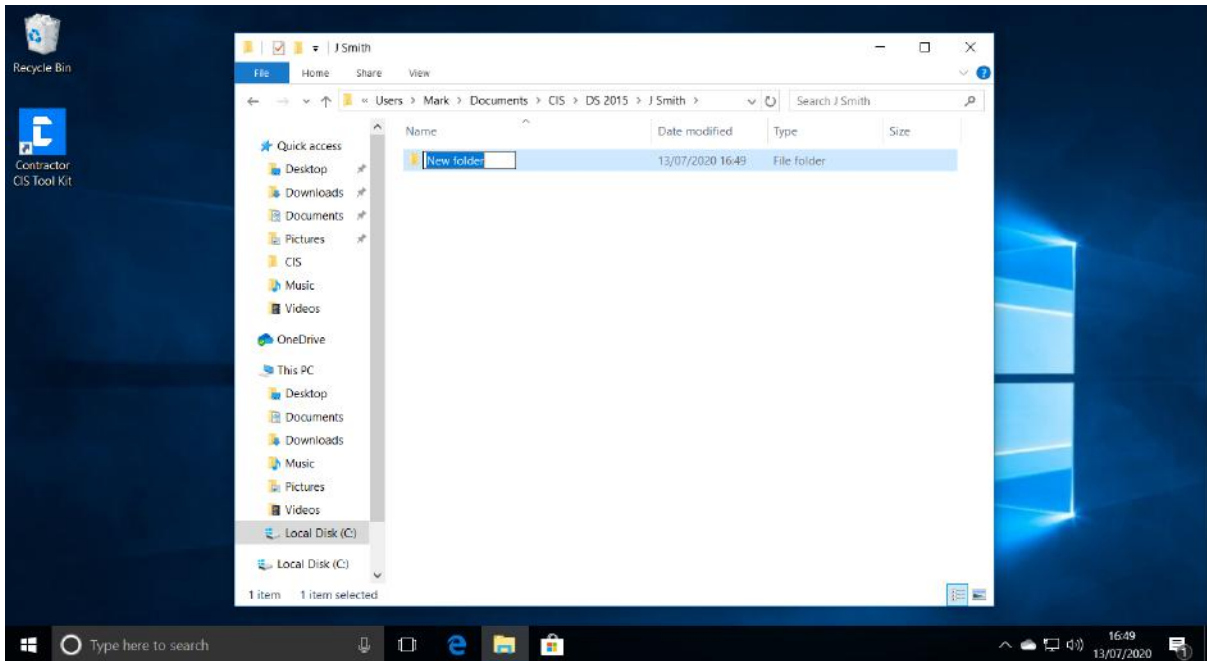
You should now see a screen similar to below.



Next using your mouse left-click on “Folder”.

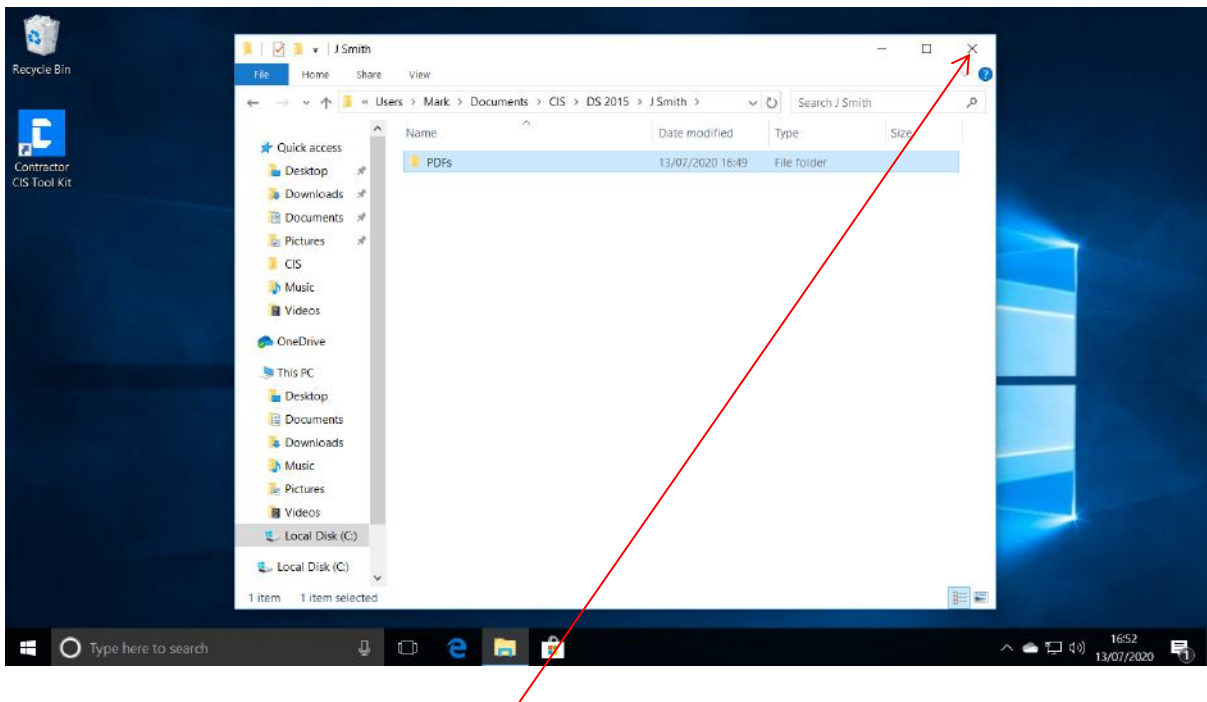


You should now see a screen similar to below.



Type on your keyboard “PDFs” and then press enter on your keyboard.

You should now see a screen similar to below.



Next using your mouse left-click the Close button to close the folder.

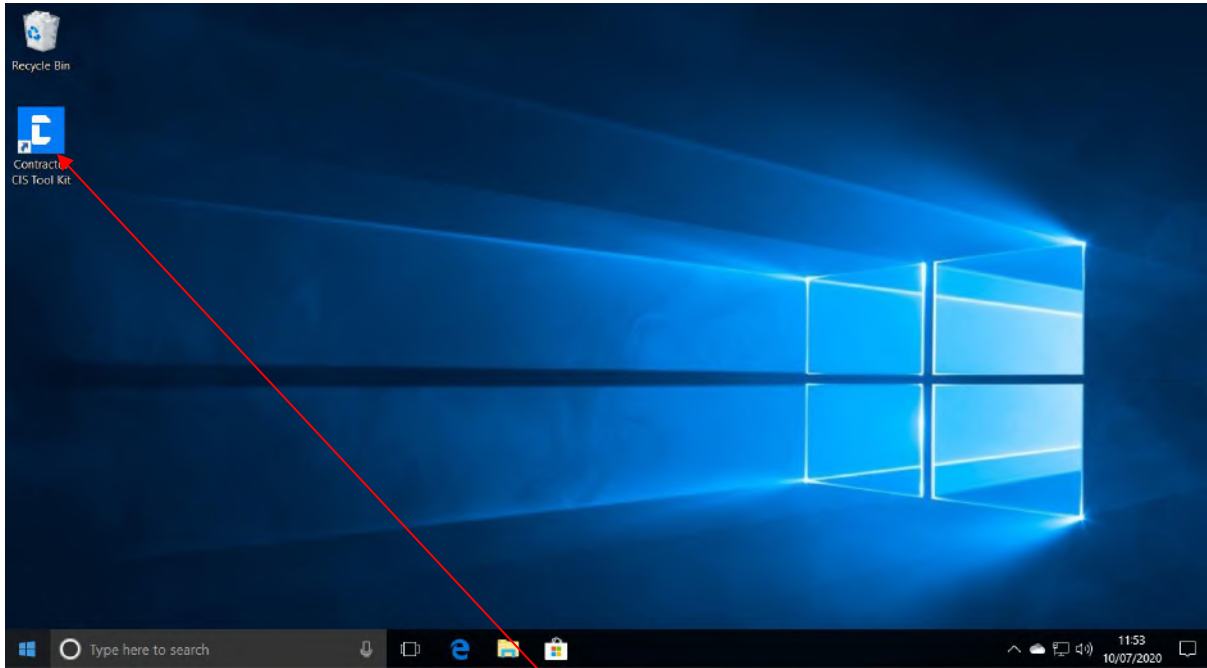
The subcontractor folder is now set up.



**We will now create a Deduction Statement for this subcontractor's payment.**

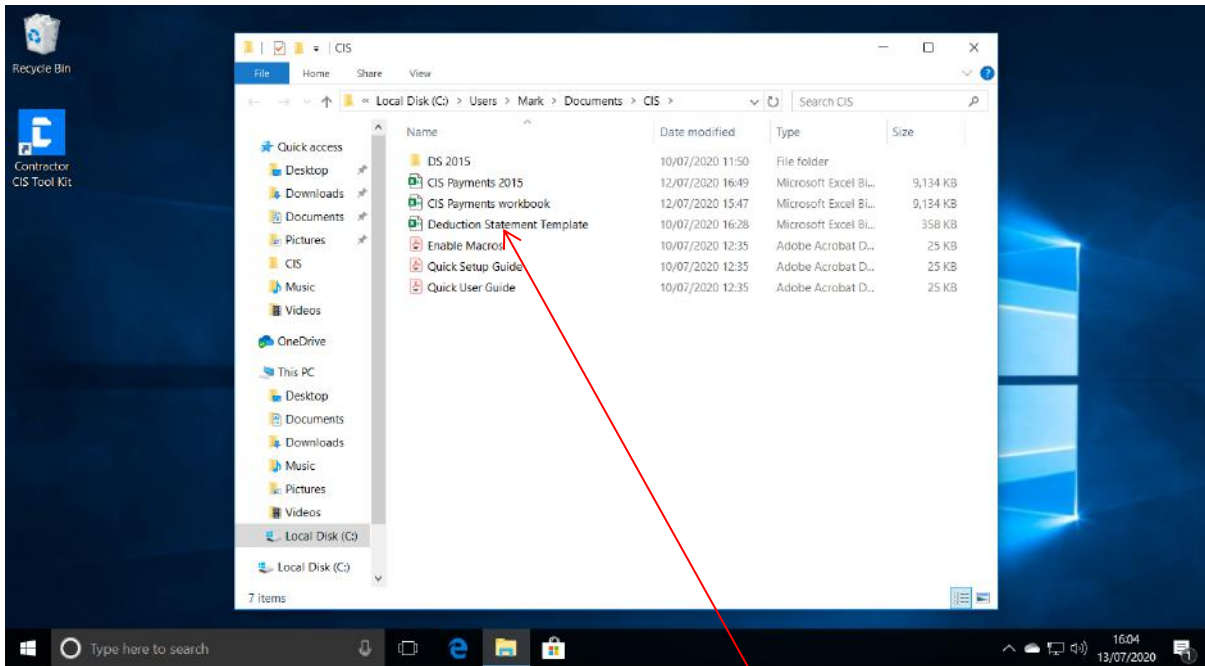
From the desktop as below.

**Note**, you will most likely have a few or a lot more icons on your desktop screen, but this is not important.



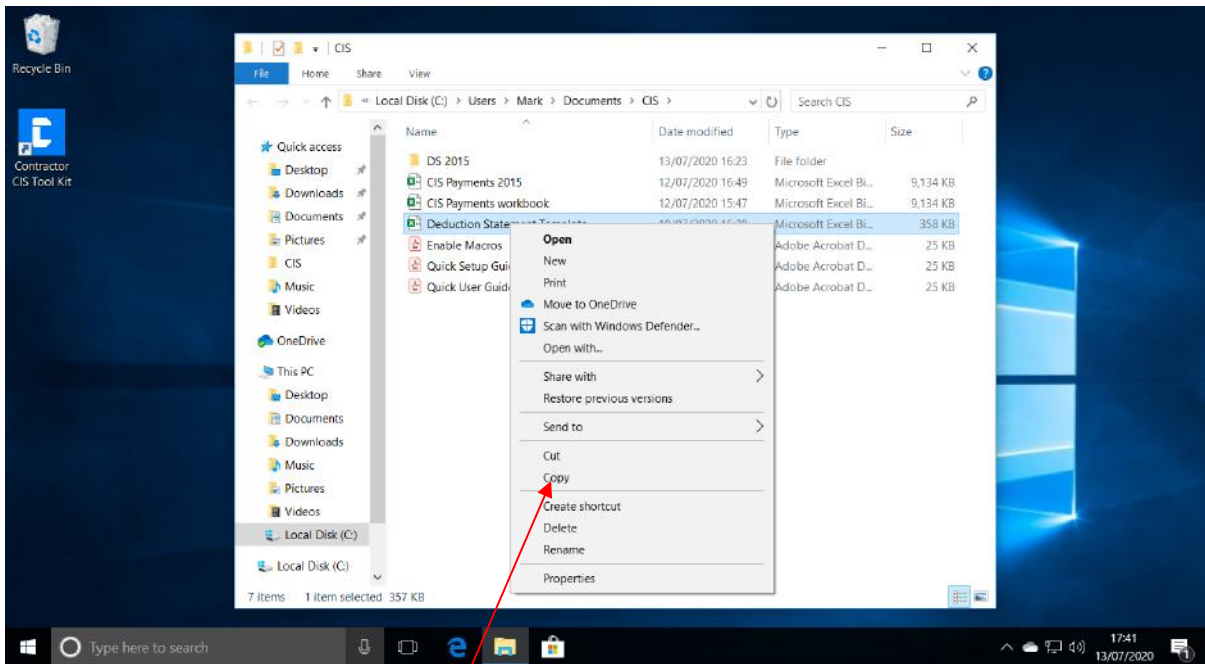
Using your mouse double left-click on the “CIS” folder icon.

You should now see a screen similar to below.



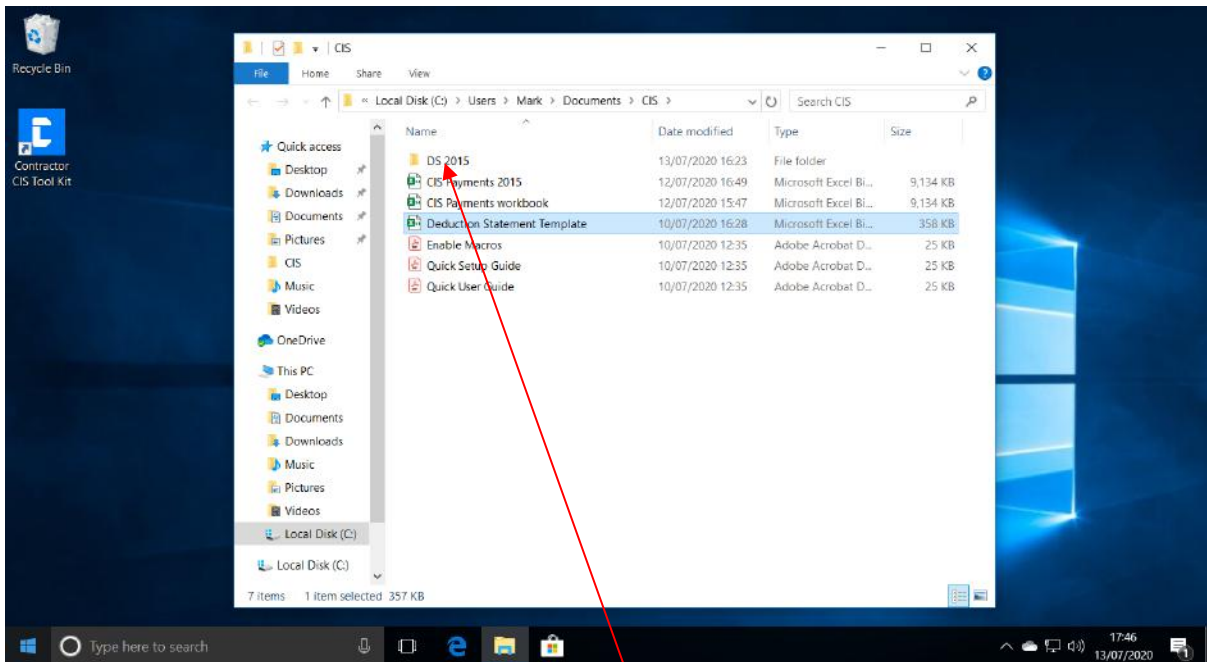
Next using your mouse right-click on the "Deduction Statement Template".

You should now see a screen similar to below.



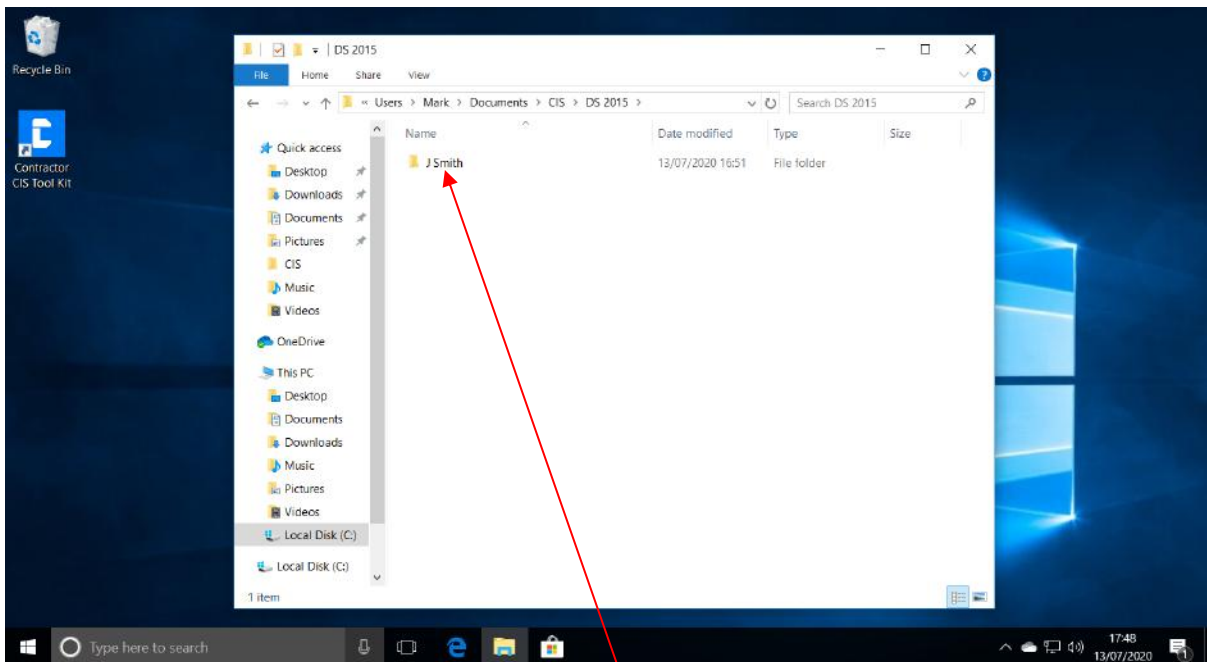
Using your mouse left-click on "Copy".

You should now see a screen similar to below.



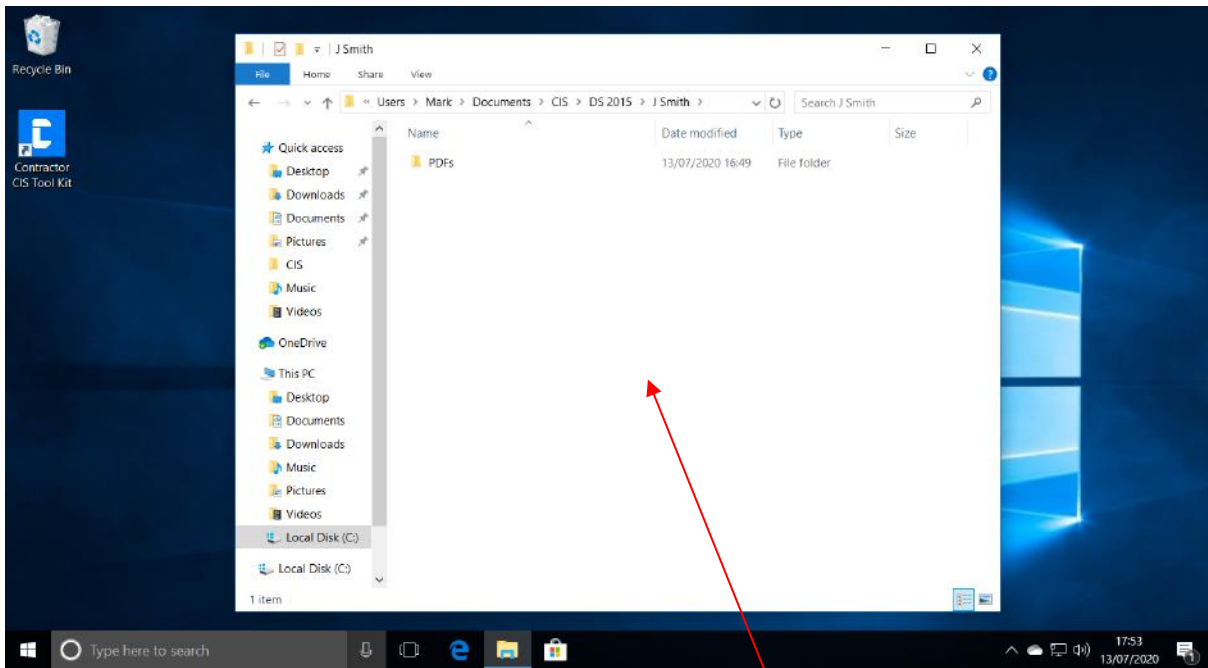
Now using your mouse double left-click on the “DS” folder to open it.

You should now see a screen similar to below.



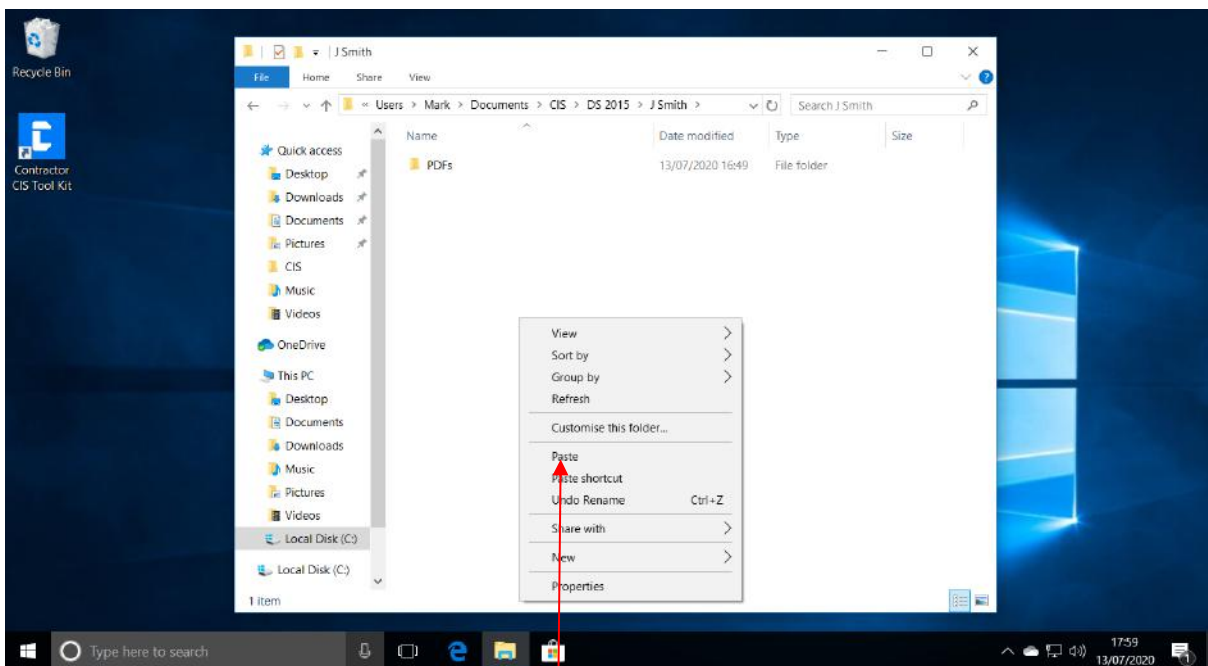
Using your mouse double left-click on the subcontractor’s folder to open it.

You should now see a screen similar to below.



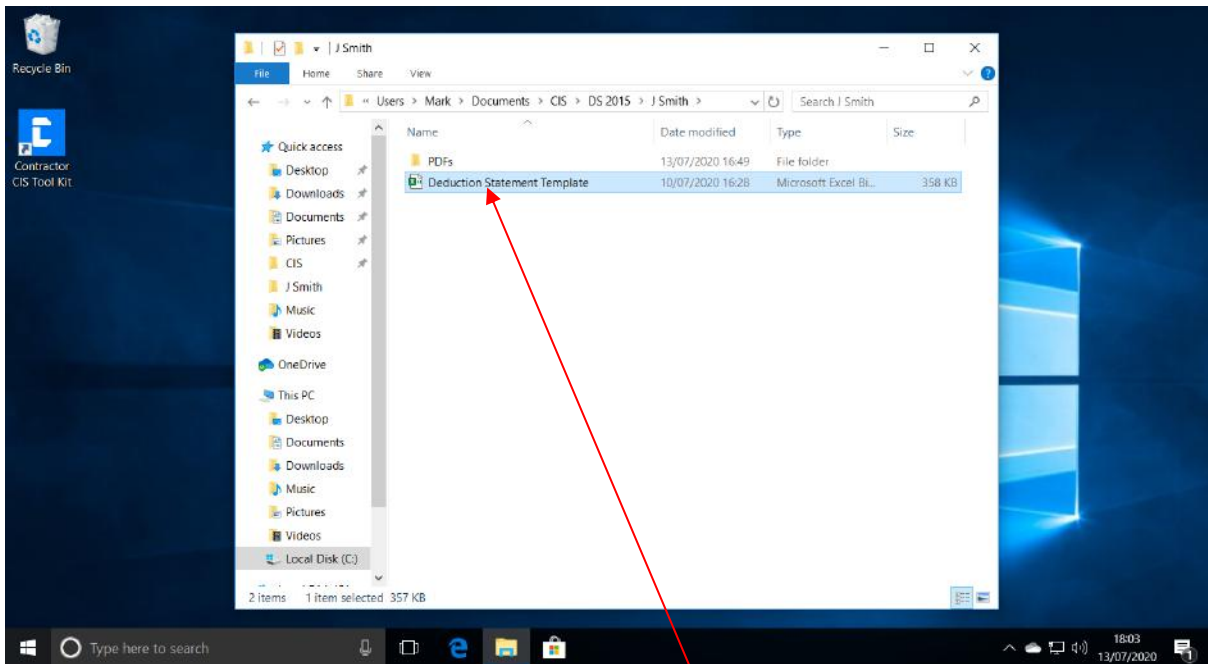
Next using your mouse right-click in a clear area in the “J Smith” folder.

You should now see a screen similar to below.



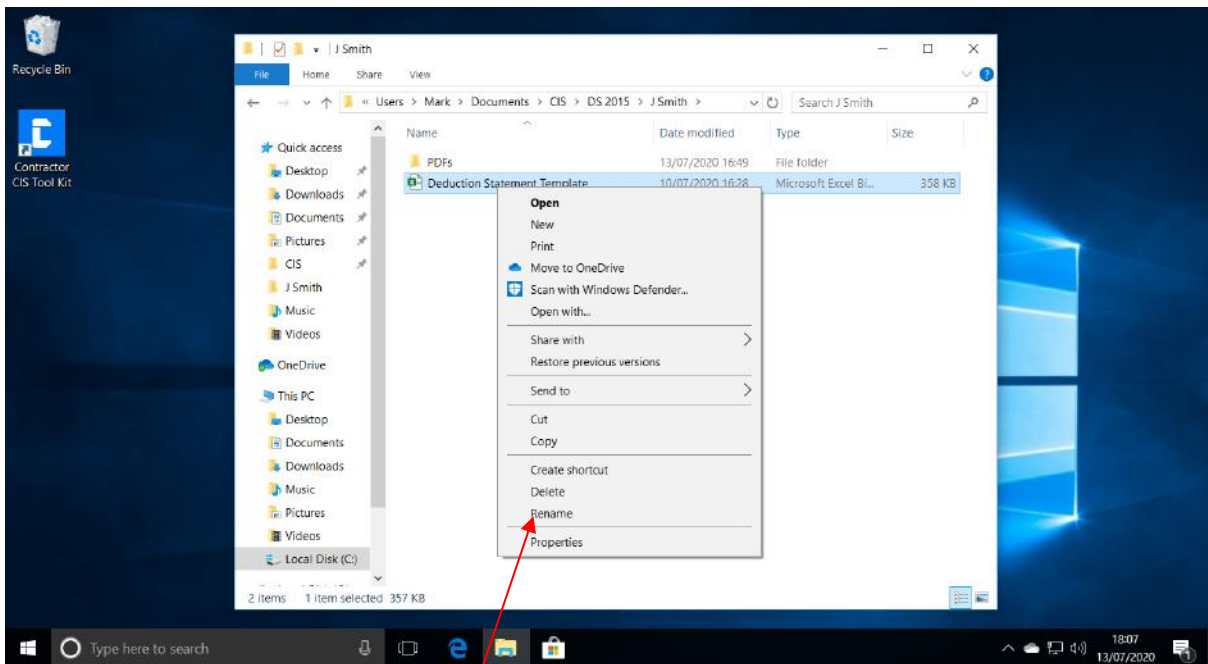
Now using your mouse left-click on the “Paste” option.

You should now see a screen similar to below.



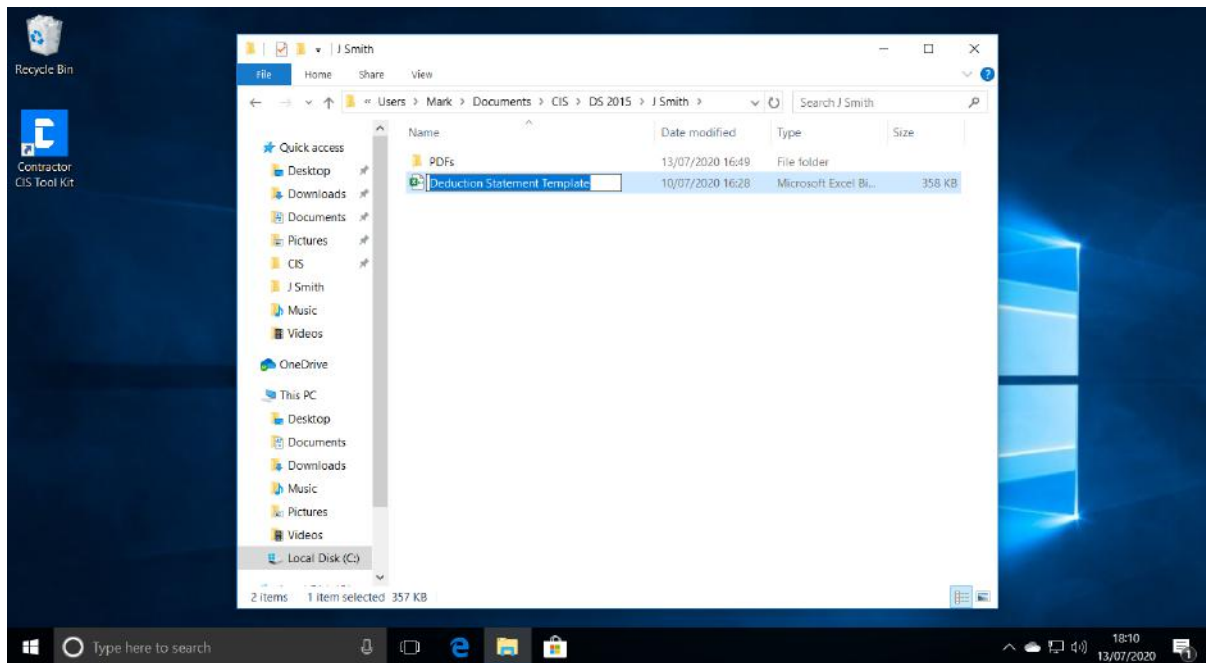
Using your mouse right-click on the “Deduction Statement Template”.

You should now see a screen similar to below.



Using your mouse left-click on “Rename”.

You should now see a screen similar to below.



On your keyboard, type in a new filename as follows - subcontractor name, year, month and day.

**Example.** For a payment made to a subcontractor named John Smith on the 1<sup>st</sup> June 2014 you would enter “J Smith 2014-6 1<sup>st</sup>”.

Now press enter on your keyboard.

**Important Tip.** In the future, when you want to make another payment to this subcontractor, you can skip the steps above. I.e. you do not have to cut and paste a copy of the Deduction Statement Template into the subcontractor’s folder. Instead, follow the instructions below on this page.

You can go directly to the most recent Deduction Statement that you have created for this subcontractor and open it.

You will then left-click on the “Save As” button on the Deduction Statement worksheet.



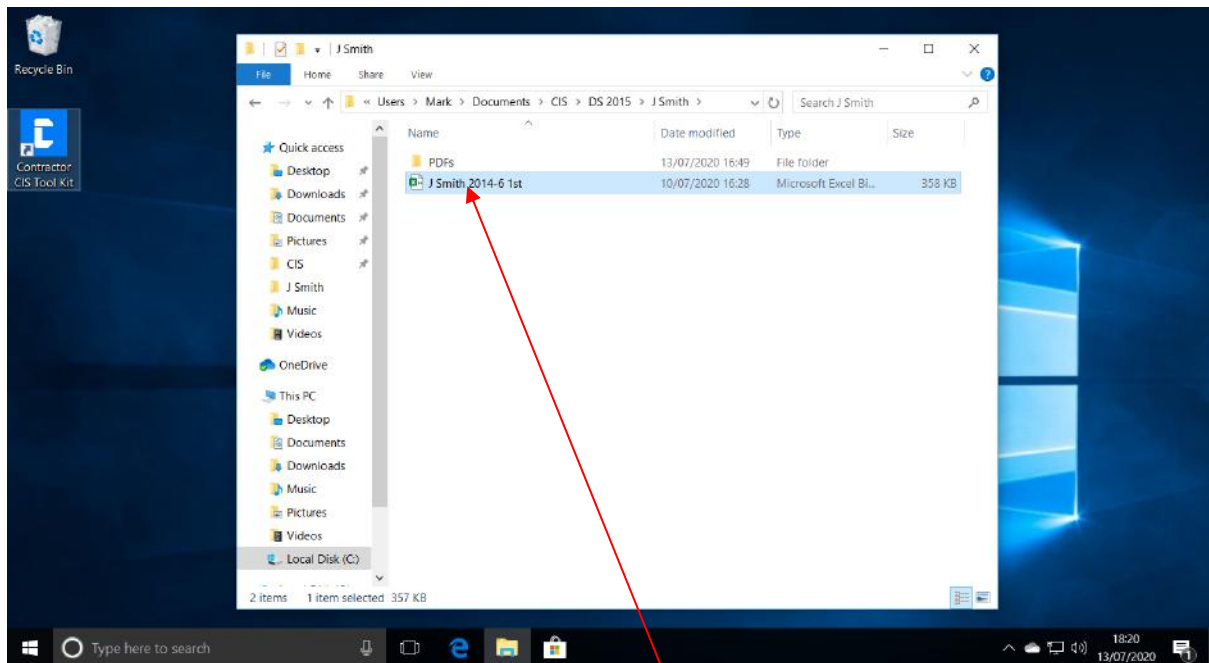
Enter a new file name when prompted and then left-click “OK”. The saved copy will be saved to the same folder location as the existing.

This will save you having to fill out all of the subcontractor’s details again – you can just update what is required for this payment.

Now move to the page below and carry on.

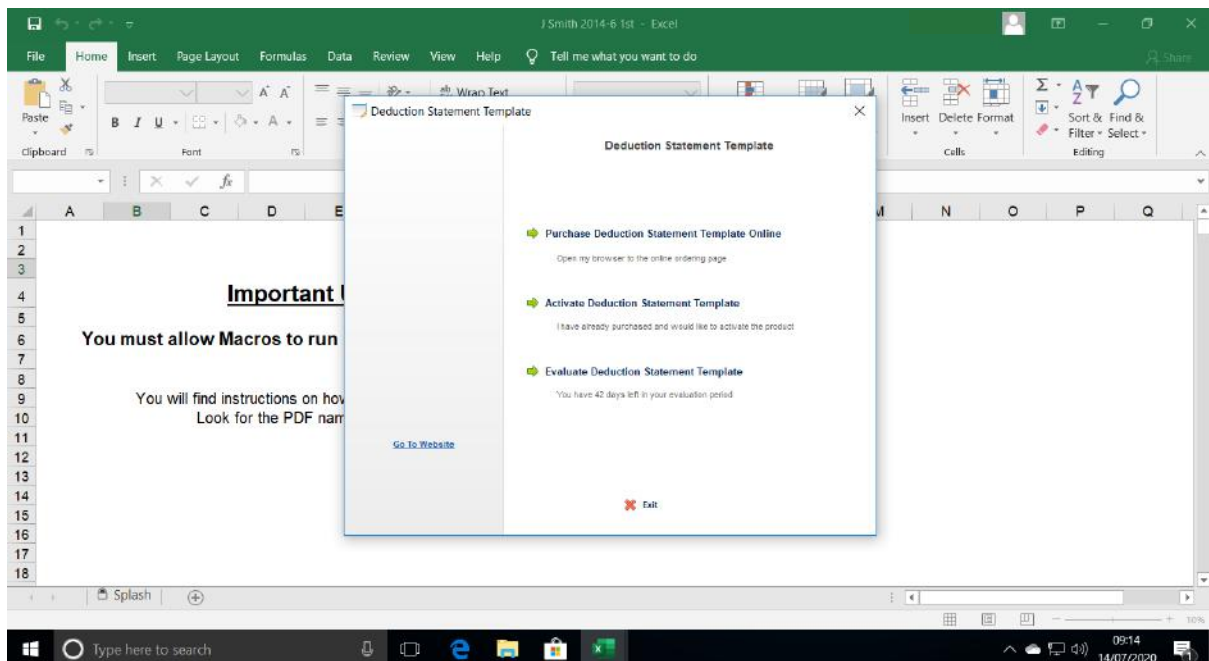


You should now see a screen similar to below.



Now using your mouse double left-click on “J Smith 2014-6 1st” to open the file.

You should now see a screen similar to below.

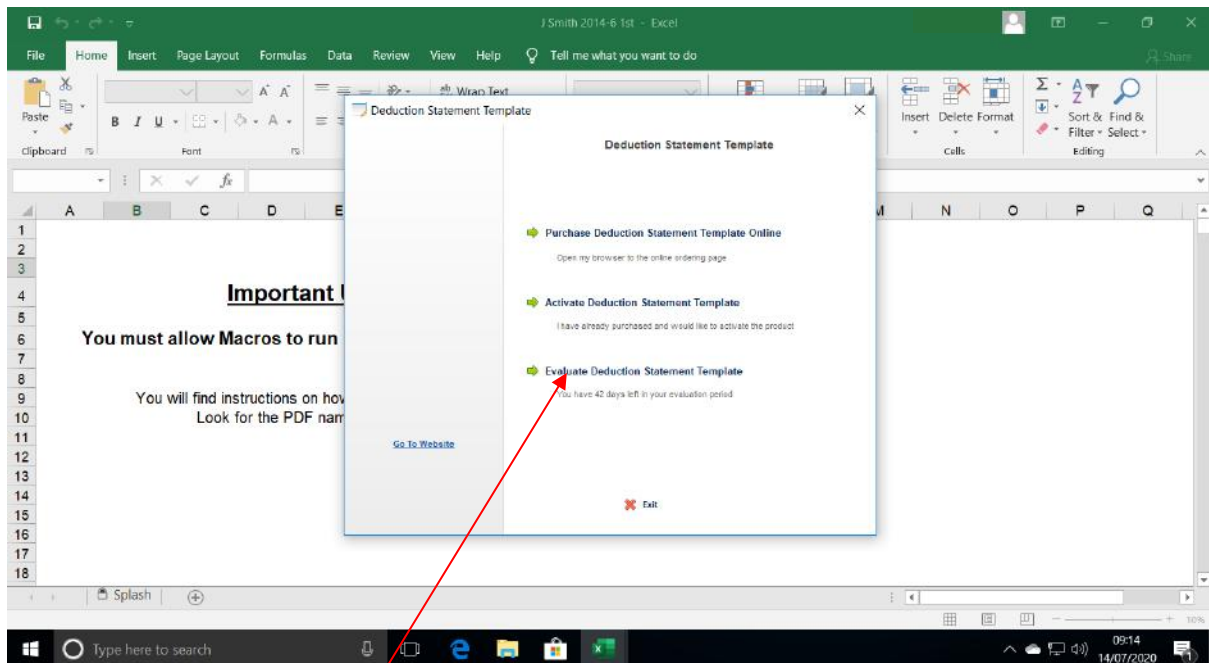


As above when the workbook opens, you will be presented with the license dialogue box.

**Note**, the above assumes you have not brought a license and activated the Deduction Statement Template as yet.



As above you should see a screen similar to below.



You will see three options in the license dialogue box, choose one of the options and follow the instructions given.

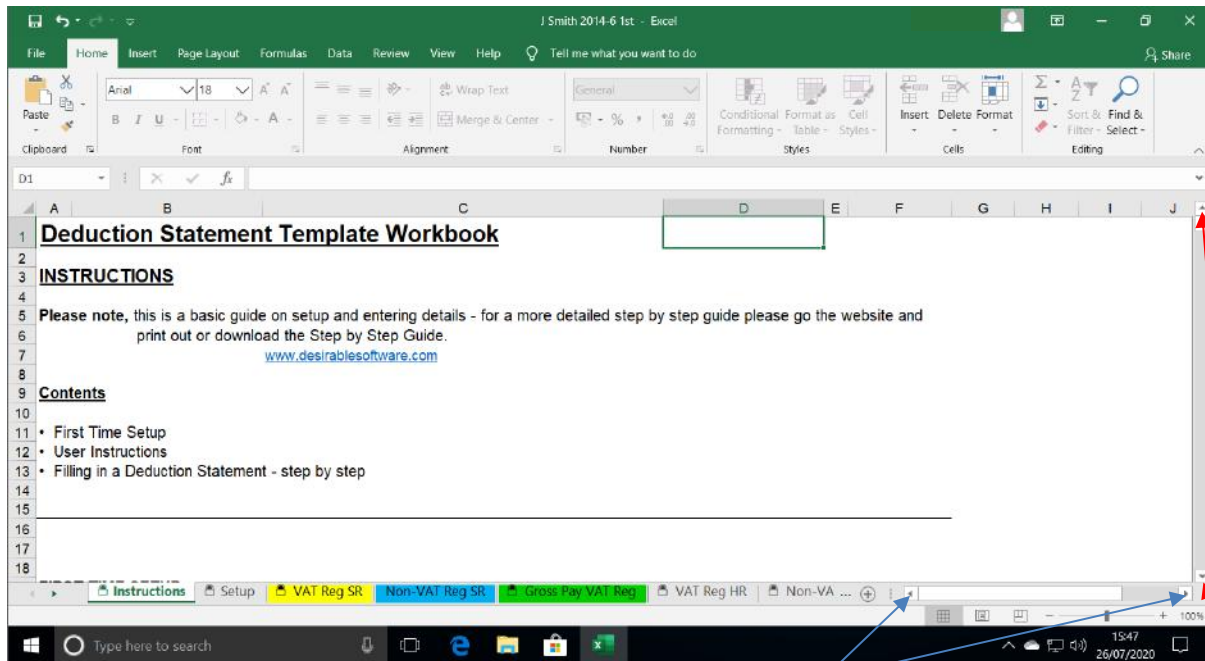
For now we will assume you want to evaluate the Deduction Statement Template, so you will left-click on the “Evaluate” option to proceed.

**Note**, the license dialogue box will not show after you have purchased a license and activated the Deduction Statement Template.

The workbook will now fully open.

You should now see a screen similar to below.

**Note**, the workbook may have opened on one of the other sheets, which is fine.



**Note**, when you are using this workbook, you may wish to move the rows up and down so as to view more of the worksheet. You can do this by using the scroll wheel on your mouse. Or using your mouse you can left-click on the scroll bar up or down arrows. You may also need to move sideways. You can do this with your mouse by left-clicking on the sideways scroll bar arrows. You can also use the arrows on your keyboard to move around the worksheet.

Firstly, you need to select the appropriate Deduction Statement worksheet for this particular subcontractor. The options are as below.

**Note**, the underlined headings below relate to the worksheet tabs running along the bottom of the workbook.

VAT Reg SR

Use for VAT registered, standard CIS deduction rate subcontractors.

Non-VAT Reg SR

Use for Non-VAT registered, standard CIS deduction rate subcontractors.

Gross Pay VAT Reg

Use for VAT registered, gross paid subcontractors.

VAT Reg HR

Use for VAT registered, higher CIS deduction rate subcontractors.

Non-VAT Reg HR

Use for Non-VAT registered, higher CIS deduction rate subcontractors.

Gross Pay Non-VAT Reg

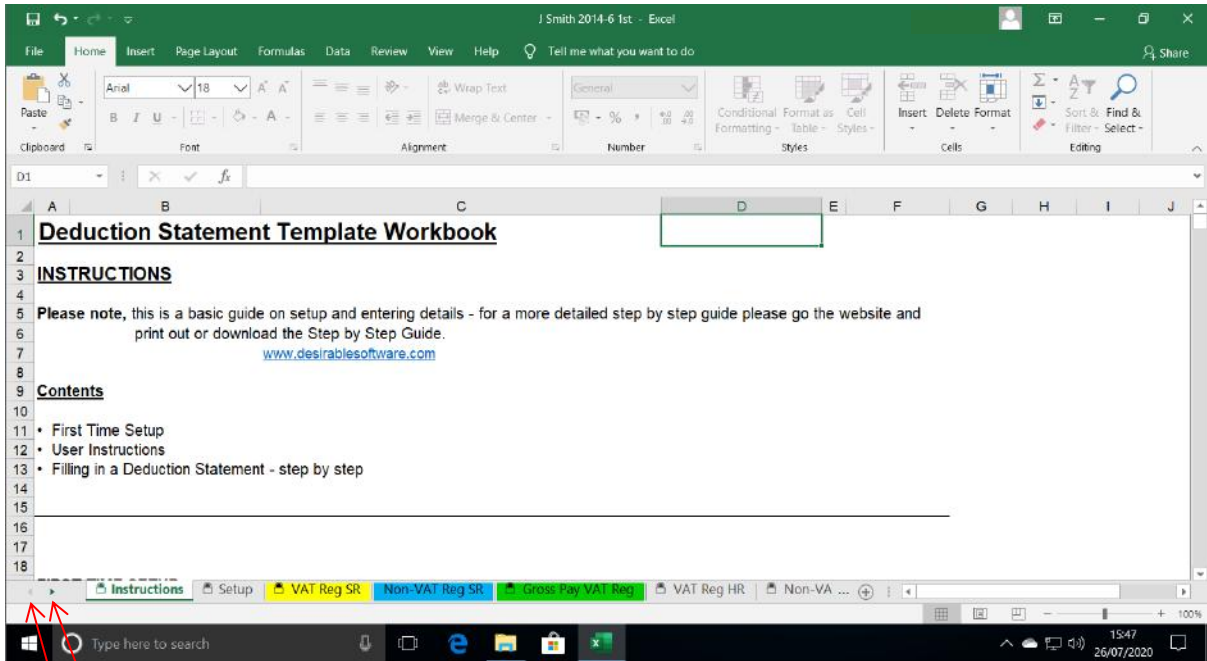
Use for Non-VAT registered, gross paid subcontractors.

Using your mouse left-click on the appropriate worksheet tab.

**Note**, when you or your accountant verified this subcontractor with HMRC, you would have been given the CIS deduction rate to apply to this subcontractor.

If you do not know which deduction rate to use for this subcontractor, you should contact HMRC or your accountant.

**Note**, if you are unsure as to whether this subcontractor is registered for VAT, you should take a look at the subcontractor's invoice to see if the subcontractor has added VAT to the invoice. If the subcontractor has added VAT to the invoice, this would imply that the subcontractor is registered for VAT. Contact your accountant if you are unsure.



**Note**, you may not be able to see all of the worksheet tabs as listed above. To see more worksheet tabs, do as follows. Using your mouse left-click on the tab arrows to move the worksheet tabs sideways.

For these instructions - by way of example, we are creating a Deduction Statement for a subcontractor as per the below.

The subcontractor's name is John Smith.

The invoice number is 021.

John Smith's UTR number is 1234567891.

John Smith is registered for VAT.

John Smith is a Standard CIS deduction rate subcontractor.

The total of the invoice is £2,200.00 plus VAT.

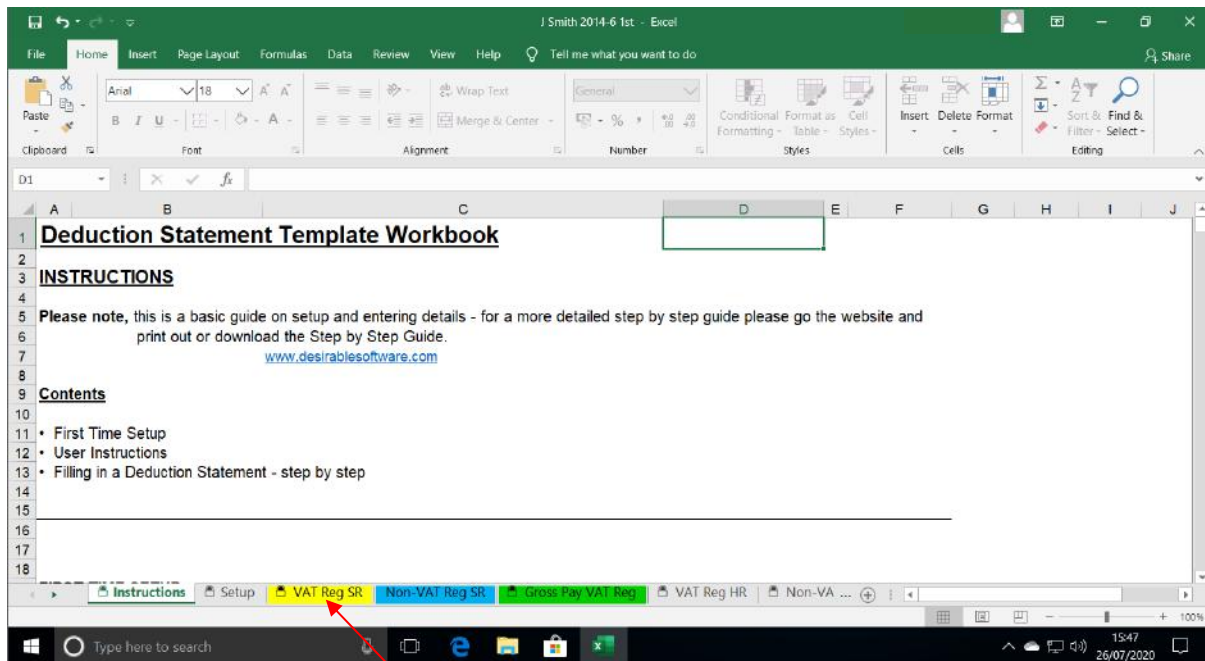
The labour charge is £1,000.00 plus VAT.

The total invoice, including VAT, is £2,640.00.

We are making the payment to him on the 1<sup>st</sup> June 2014.

We are making the payment by Bank Transfer.

As above you should see a screen similar to below.

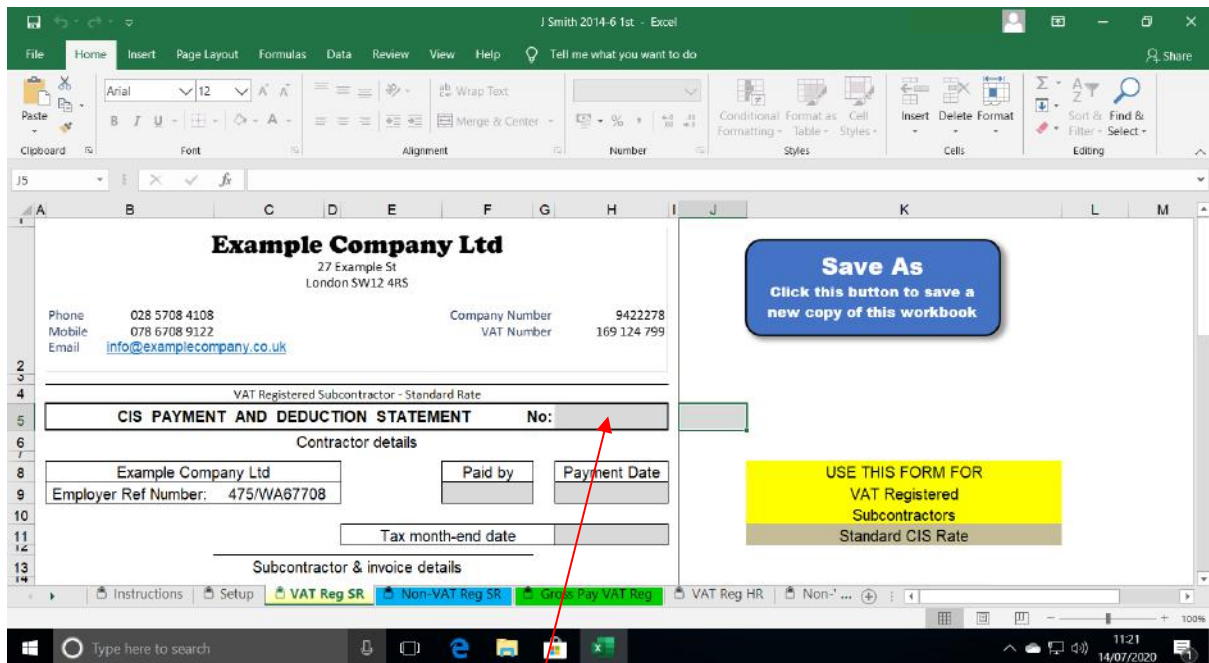


Using your mouse left-click on the appropriate worksheet tab (if you have not already done this).

In our case, we are paying John Smith.  
John Smith is a VAT registered, standard CIS deduction rate subcontractor.

So using our mouse, we will left-click on the "VAT Reg SR" worksheet tab.

You should now see a screen similar to below.



Next using your mouse left-click in the “H5” cell.

Now using your keyboard enter a Deduction Statement number.

**Note**, enter it in a date format, e.g. for a payment made on the 11<sup>th</sup> May 2014 you would enter “110514-1DS”.

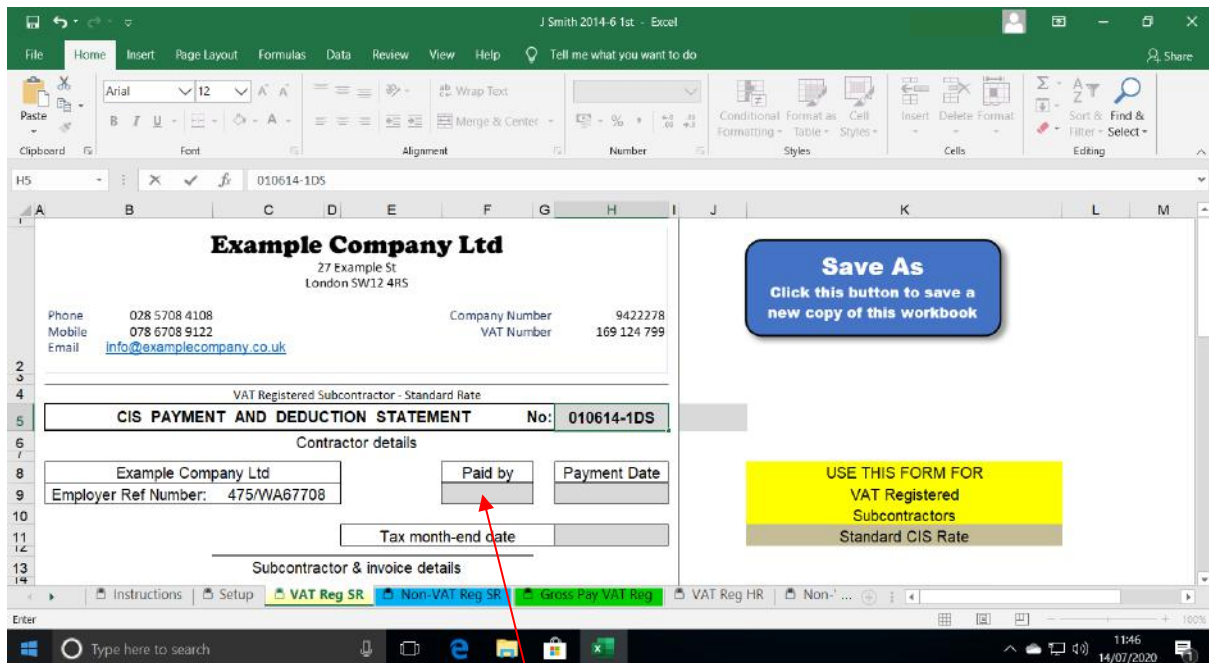
The “DS” added to the end is the abbreviation for Deduction Statement.

**Note**, if you are paying more subcontractors on the same day just increase the number before the “DS”. E.g. For the next subcontractor, you would enter “110514-2DS” and so on.

In our case, we are paying John Smith on the 1<sup>st</sup> June 2014.

So we will enter “010614-1DS”.

You should now see a screen similar to below.



Next using your mouse left-click in the “F9” cell.

Now enter in the payment method that you are using to pay the subcontractor as per the below.

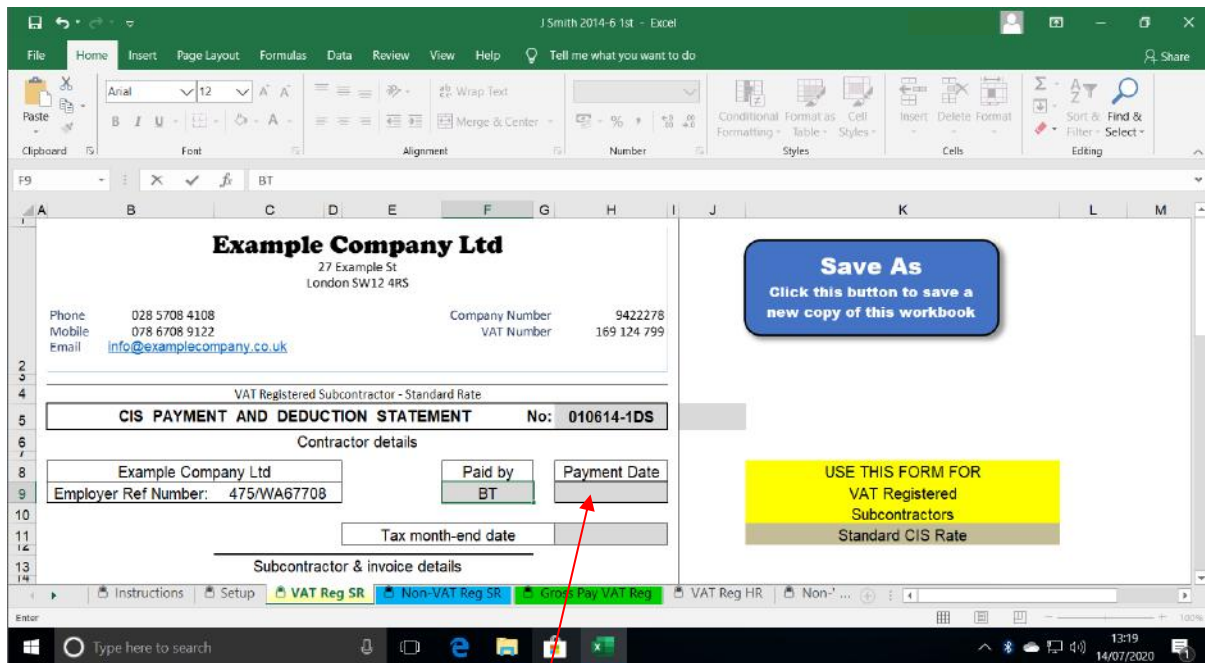
	<u>Enter as in this column below</u>
Automatic Payment	AP
Bank Transfer	BT
Cash	Cash
Cheque - use cheque number	000000
Credit Card	Credit C
Debit Card	Debit C
Direct Debit	DD

In our case, we are paying John Smith by Bank Transfer.

So we will enter “BT”.



You should now see a screen similar to below.



Next using your mouse left-click in the “H9” cell.

Now enter the payment date. I.e. the date you are paying the subcontractor invoice.

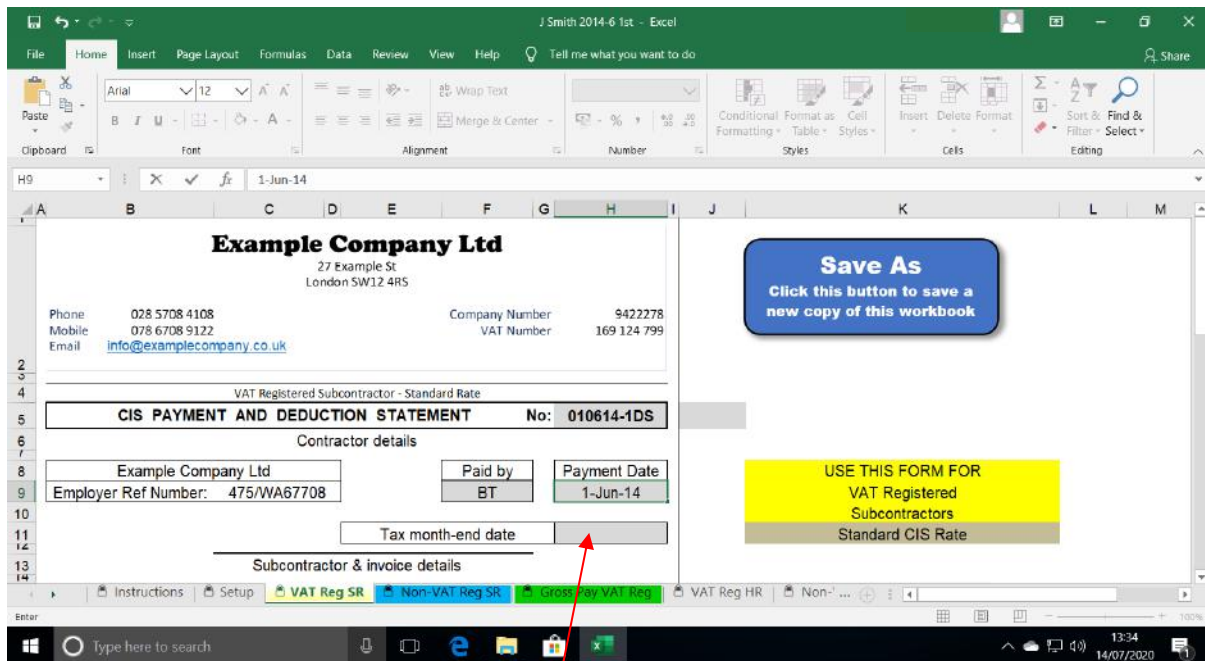
**Note**, enter in the day number, a hyphen, then the first three letters of the month, a hyphen followed by the last two digits of the year.

**Example**. For a payment made on the 1st July 2012 you would enter “1-Jul-12”.

In our case, we are paying John Smith on the 1<sup>st</sup> June 2014.

So we will enter “1-Jun-14”.

You should now see a screen similar to below.



Next using your mouse left click in the “H11” cell.

Now enter the CIS month-end date that this payment relates to.

**Note**, enter in the day number, a hyphen, then the first three letters of the month, a hyphen followed by the last two digits of the year.

**Example.** For a CIS month-end date of 5<sup>th</sup> August 2012 you would enter "5-Aug-12".

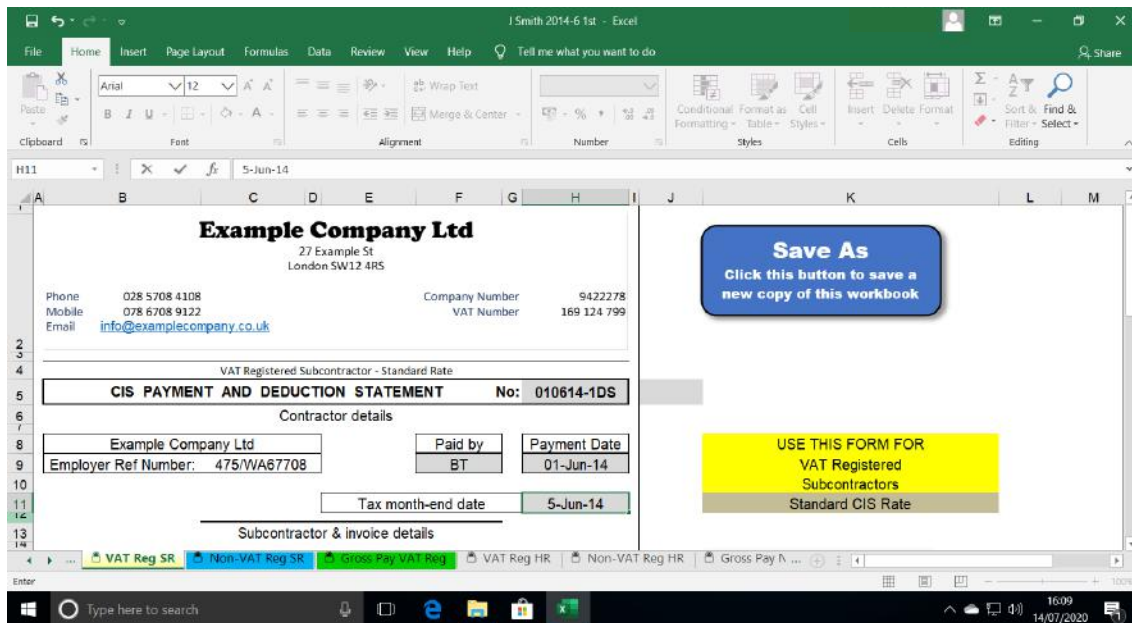
**Note**, the CIS month runs from the 6<sup>th</sup> of the month to the 5<sup>th</sup> of the following month, e.g. 6<sup>th</sup> of June to 5<sup>th</sup> July.

In the case of any payments made to subcontractors between and including the dates of 6<sup>th</sup> June to 5<sup>th</sup> July – the CIS month-end date for these payments would be 5<sup>th</sup> July.

In our case, we are paying John Smith on the 1<sup>st</sup> June 2014, which means this payment falls within the CIS month-end date of the 5<sup>th</sup> Jun 2014.

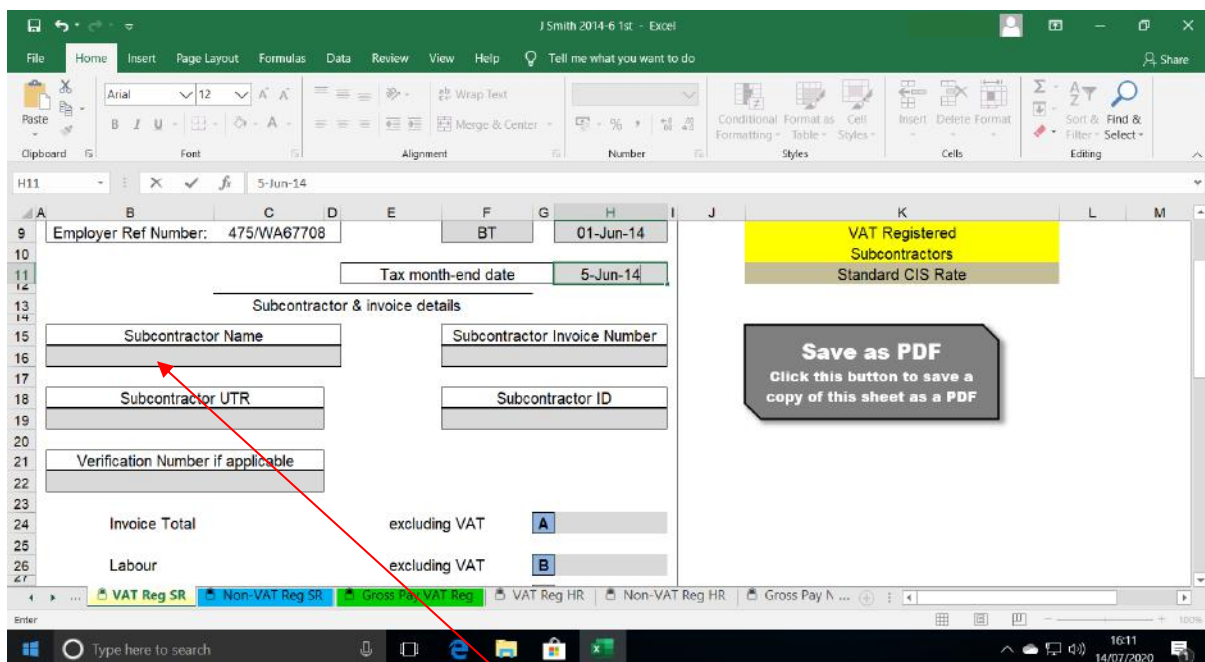
So we will enter “5-Jun-14”.

You should now see a screen similar to below.



Now move further down the spreadsheet.

You should now see a screen similar to below.

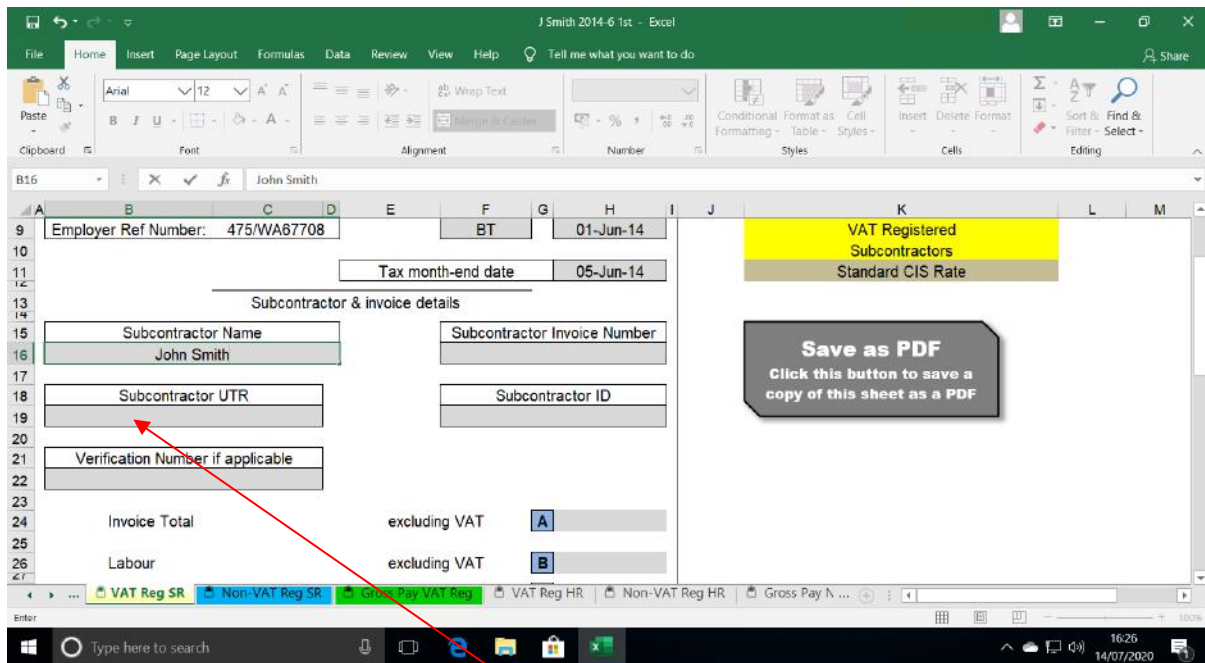


Next using your mouse left-click in the "B16" cell.

Now enter the subcontractor name.

In our case, we will enter John Smith.

You should now see a screen similar to below.



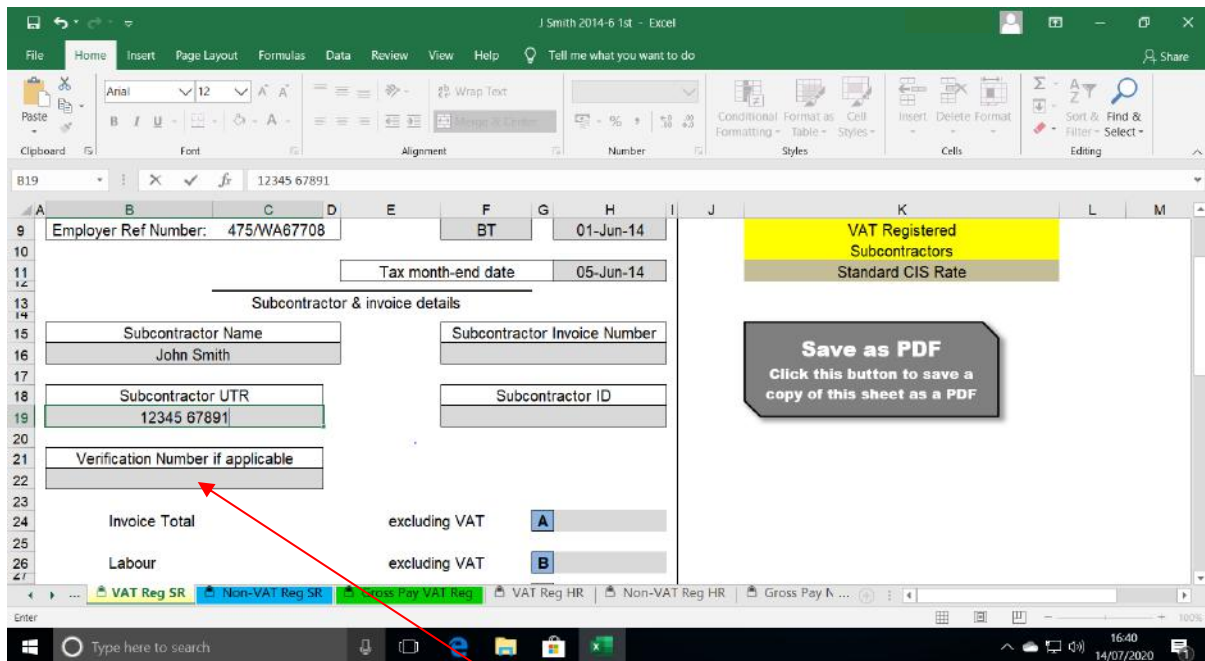
Next using your mouse left-click in the “B19” cell.

Now enter this subcontractor’s UTR number.

**Note**, the UTR number is a ten-digit number that the subcontractor should have supplied to you, so that you or your accountant could verify them with HMRC. Subcontractors must be verified with HMRC, as this will give you the information as to what rate of CIS deductions to apply to them. If you are unsure about this, you should contact your accountant.

In our case, we will enter John Smith’s UTR number “1234567891”.

You should now see a screen similar to below.



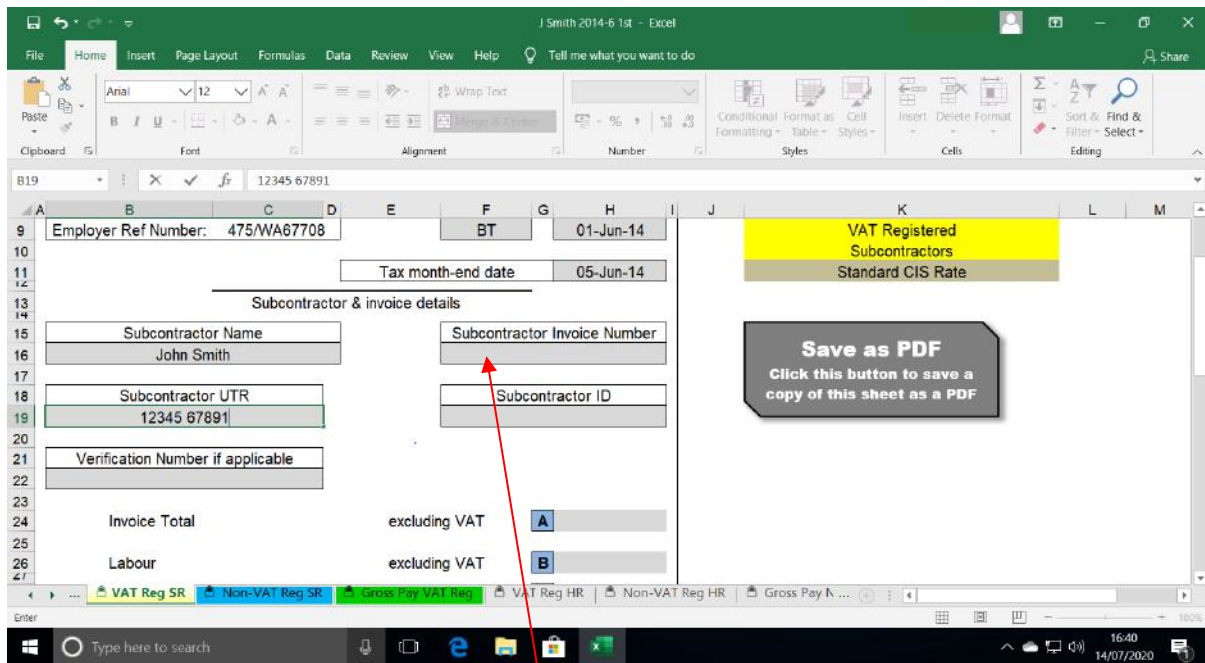
Next using your mouse left-click in the "B22" cell.

In this box enter the subcontractor's verification number – only enter this if you are making CIS deductions at the higher rate.

**Note**, this is the number that you were given for this subcontractor when you or your accountant verified them with HMRC.

In our case, we will leave this blank as John Smith has CIS deductions at the standard rate.

As above you should see a screen similar to below.



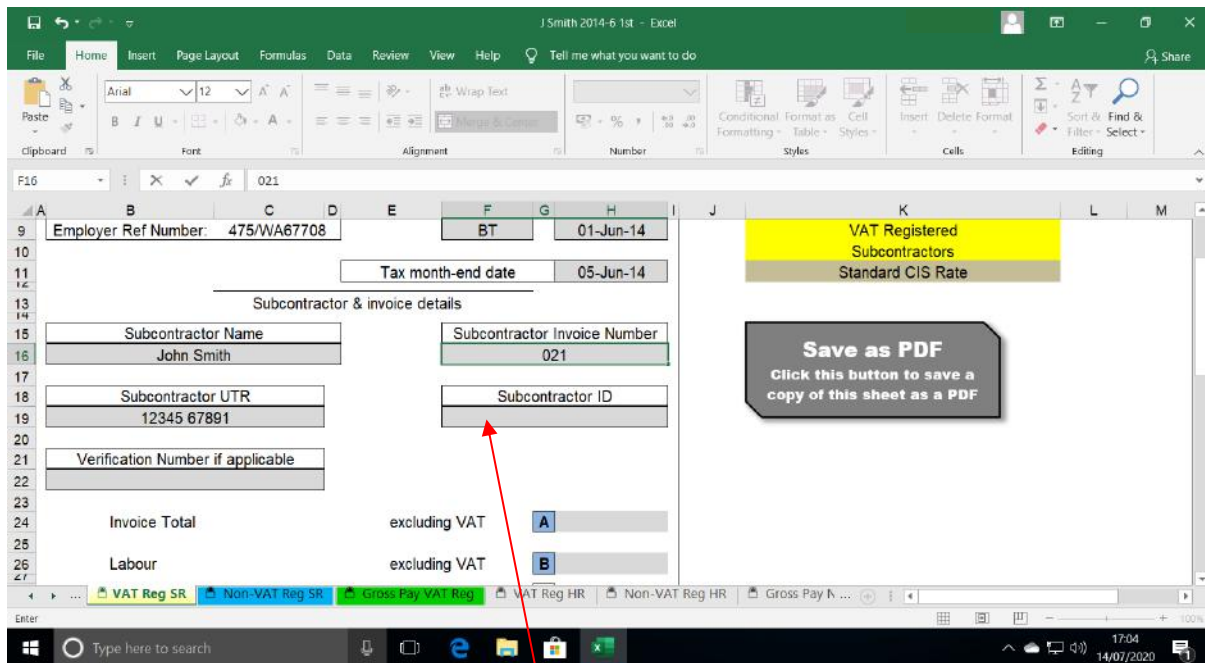
Next using your mouse left-click in the "F16" cell.

Now enter the invoice number from the subcontractor's invoice.

In our case, we will enter the invoice number "021".



You should now see a screen similar to below.



Next using your mouse left-click in the “F19” cell.

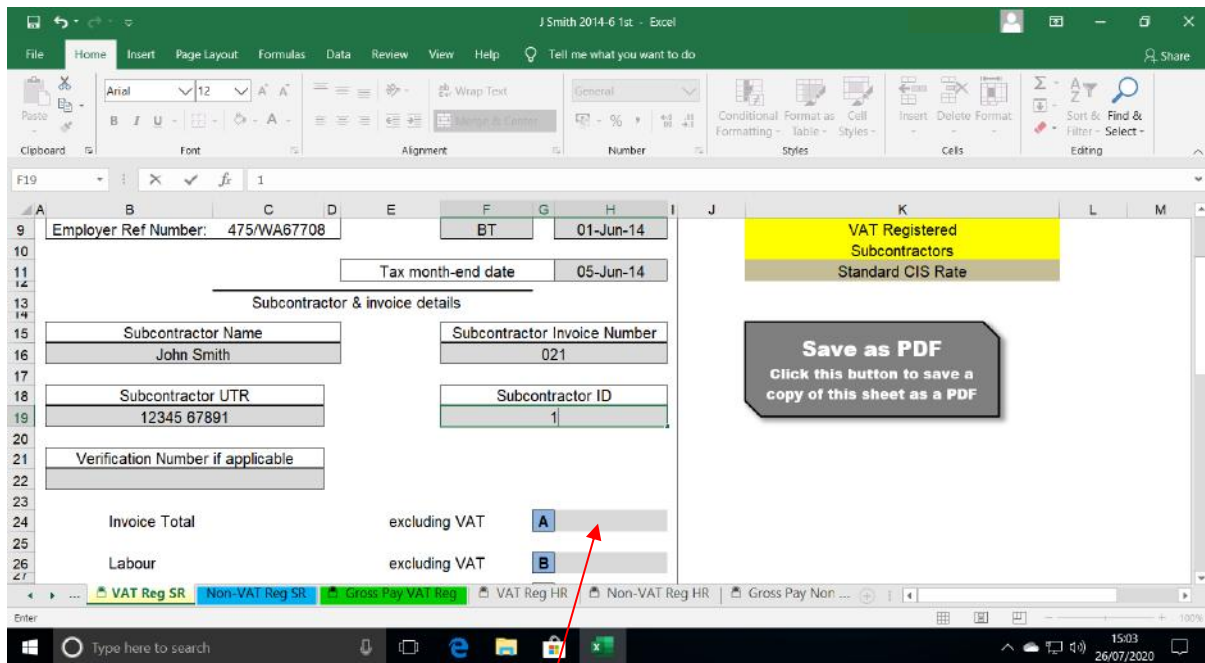
Now enter the subcontractor ID number.

**Note**, this is the number that you have assigned to the subcontractor in the CIS Payments Workbook—if you are using it. You do not have to use subcontractor ID numbers if you do not want to. If you are not using subcontractor ID numbers, leave this blank.

In our case, we are using the subcontractor ID number of “1”.



You should now see a screen similar to below.



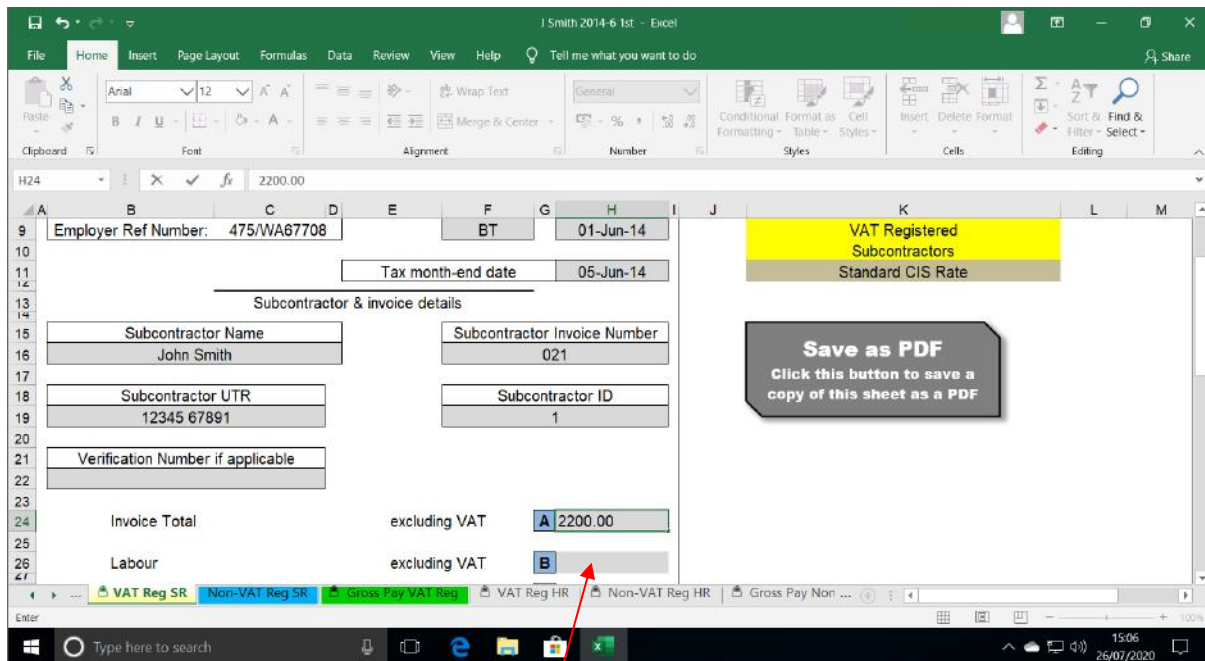
Next using your mouse left-click in the “H24” cell.

Now enter in the total invoice amount from the subcontractor’s invoice.

**Important Note.** If the subcontractor is VAT registered, enter the total invoice amount excluding VAT.  
If the subcontractor is not VAT registered, enter the total invoice amount including any VAT the subcontractor has paid on the materials.

In our case, we will enter the Invoice Total amount as “2200.00”, as per John Smith’s invoice.

You should now see a screen similar to below.



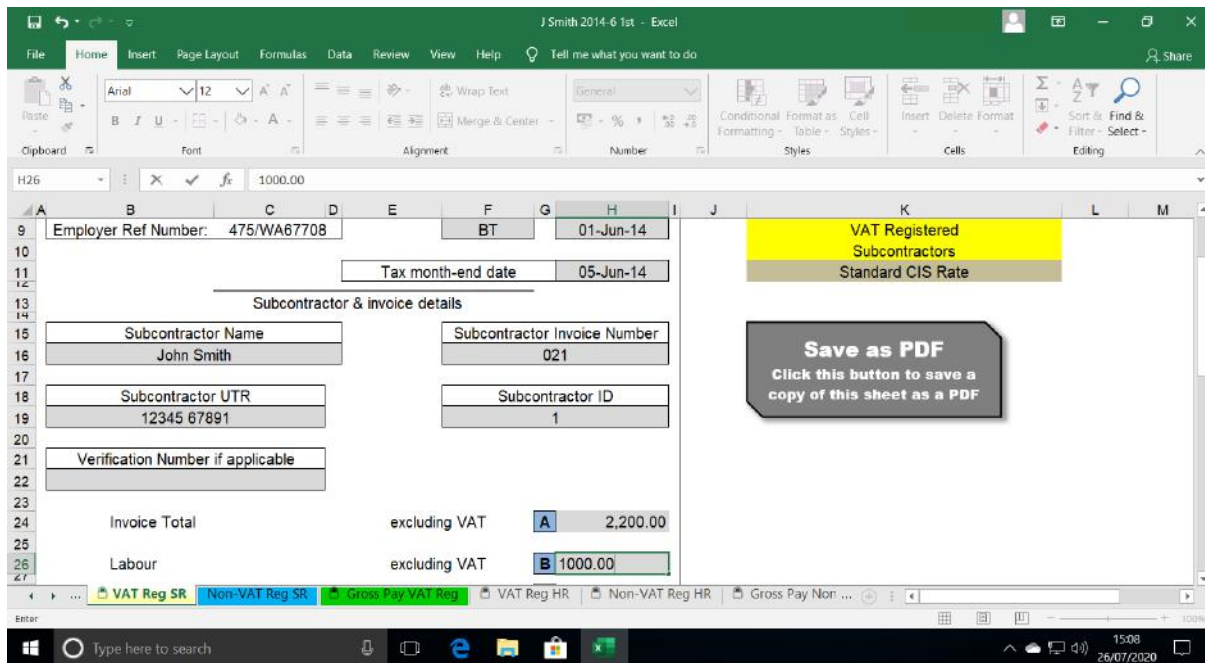
Next using your mouse left-click in the “H26” cell.

Now enter in the labour amount from the subcontractor’s invoice.

**Note**, enter the labour amount, excluding VAT.

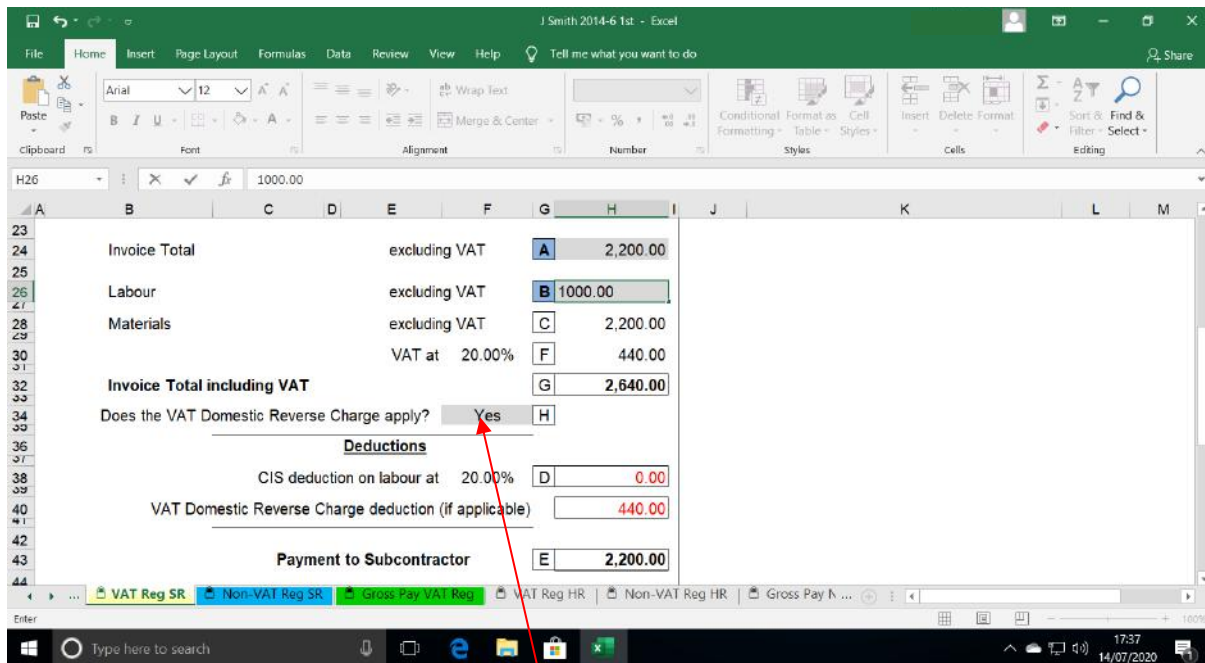
In our case, we will enter the Labour amount as “1000.00”, as per John Smith’s invoice.

You should now see a screen similar to below.



Now move further down the spreadsheet.

You should now see a screen similar to below.



Next using your mouse left-click in the “F34” cell.

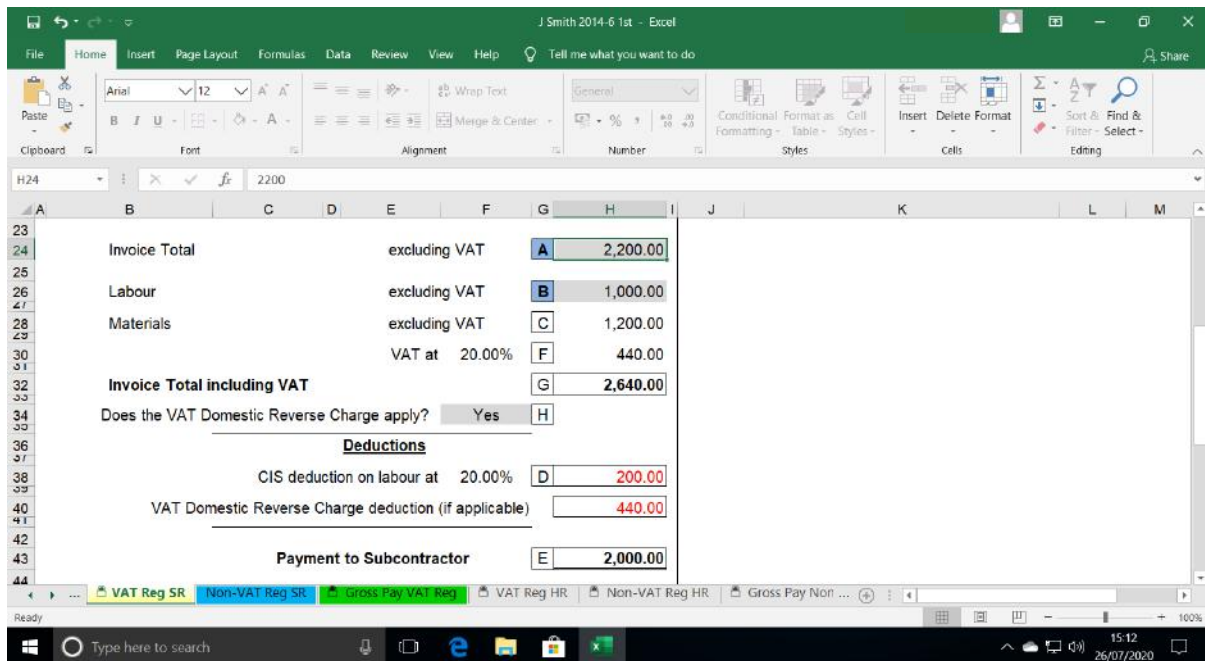
Now enter either “Yes” or “No” into this box, depending on whether the VAT Domestic Reverse Charge applies to this payment.

**Critical Note.** If you are not sure which option to choose you should check with your Accountant. It is crucial to select the correct option.

Next using your mouse left-click on any other cell on the worksheet.

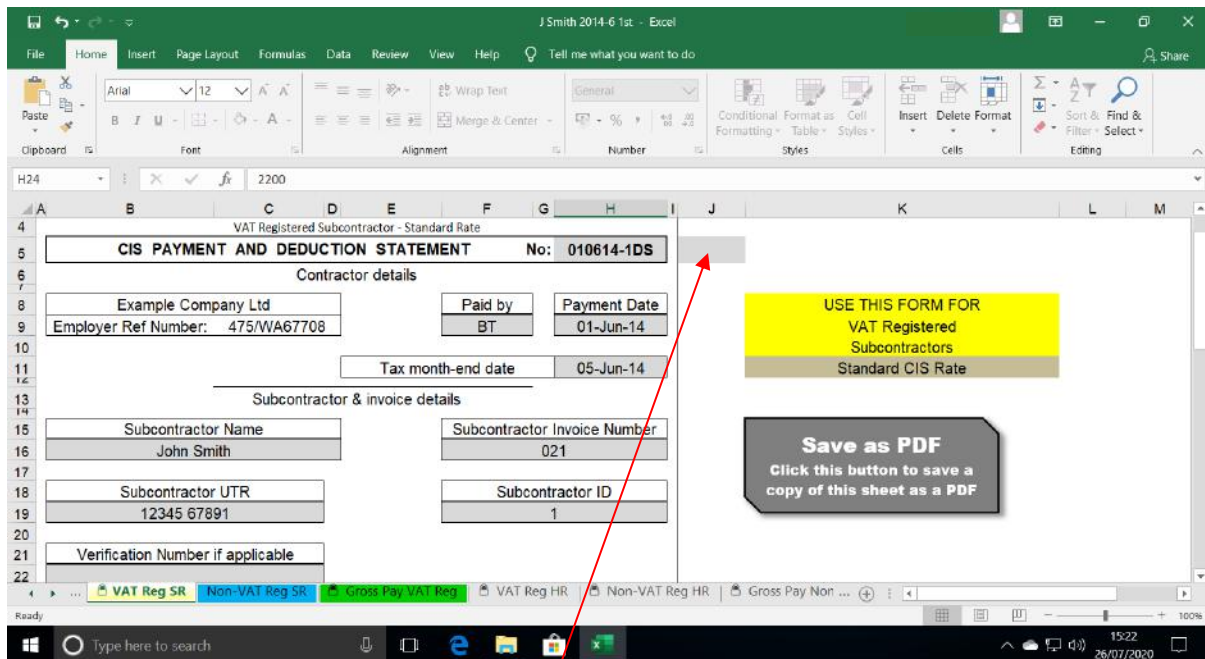
In our case, we will enter “Yes” as the VAT Domestic Reverse Charge applies to this payment.

You should now see a screen similar to below.



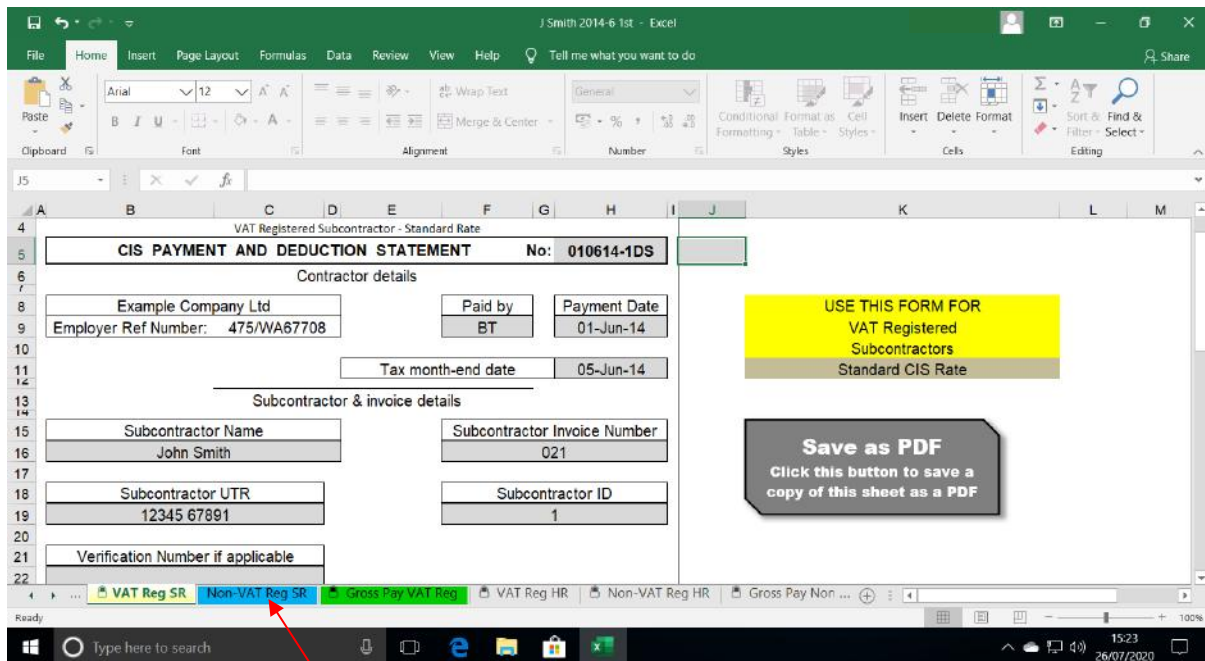
Now move a little way back up the spreadsheet.

You should now see a screen similar to below.



Next using your mouse left-click in the "J5" cell to select it.

You should now see a screen similar to below.



You can now delete the worksheets that are not required for this subcontractor if you wish.

**Critical Note.** Do not delete the “Instructions” or “Setup” worksheets.

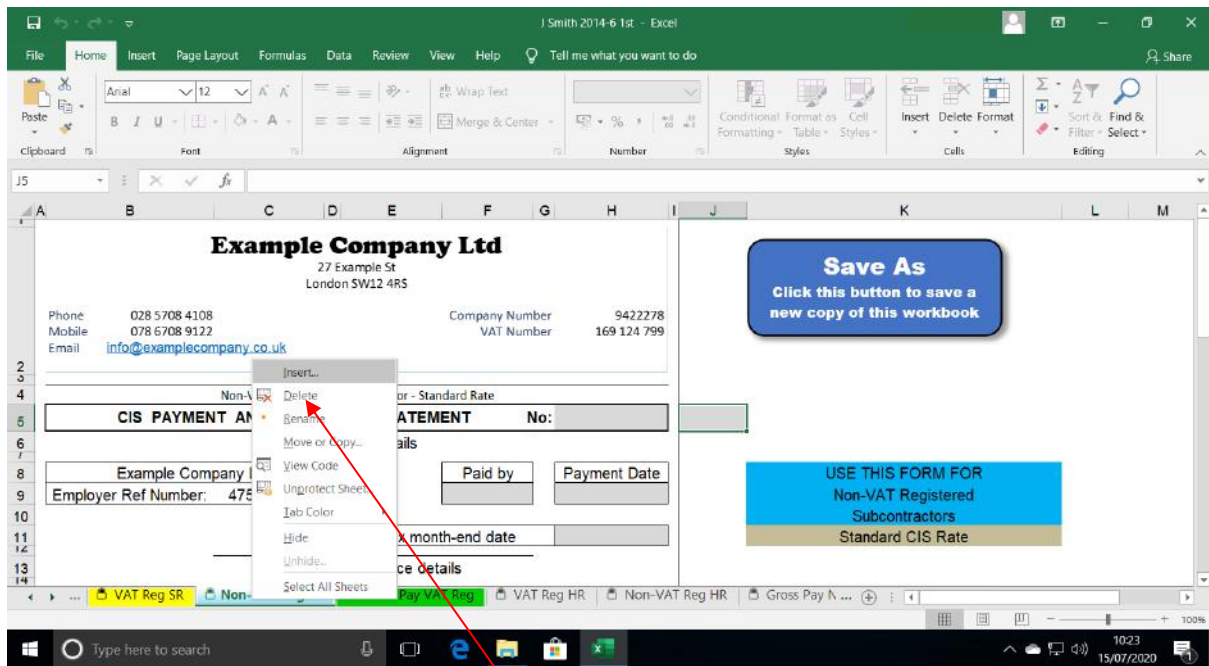
**Note,** you do not have to delete the unused worksheets.

By way of example, we will delete the “Non-VAT Reg SR” worksheet.

Using your mouse right-click on the “Non-VAT Reg SR” worksheet tab.

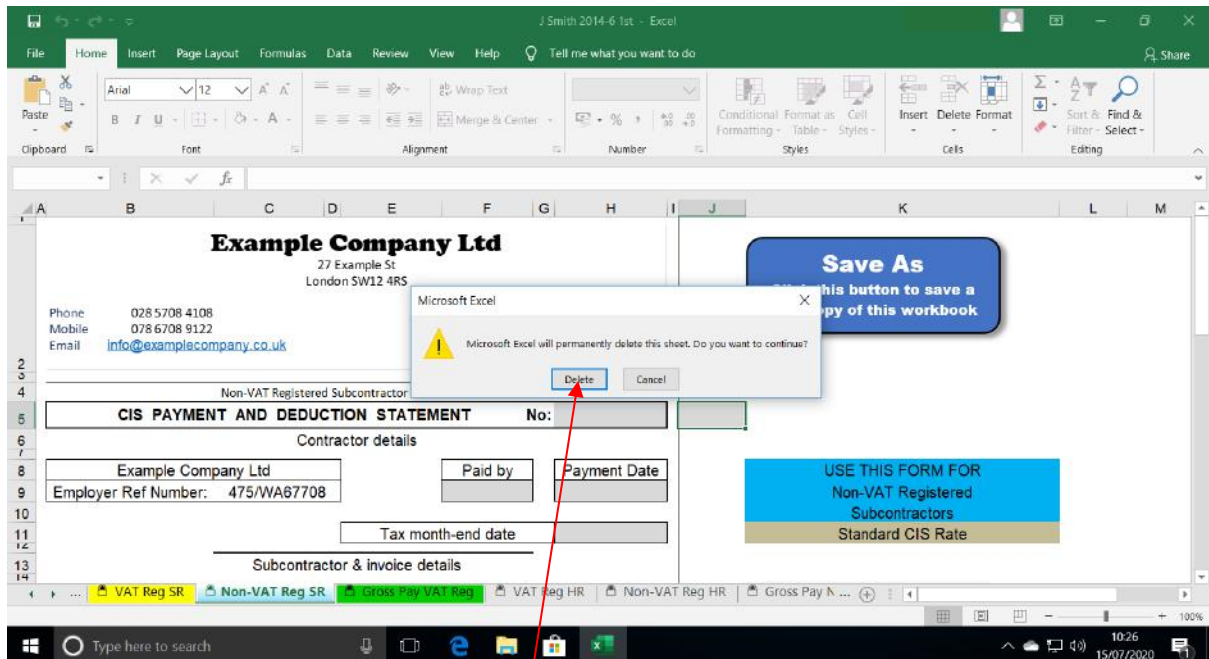


You should now see a screen similar to below.



Now using your mouse left-click on "Delete".

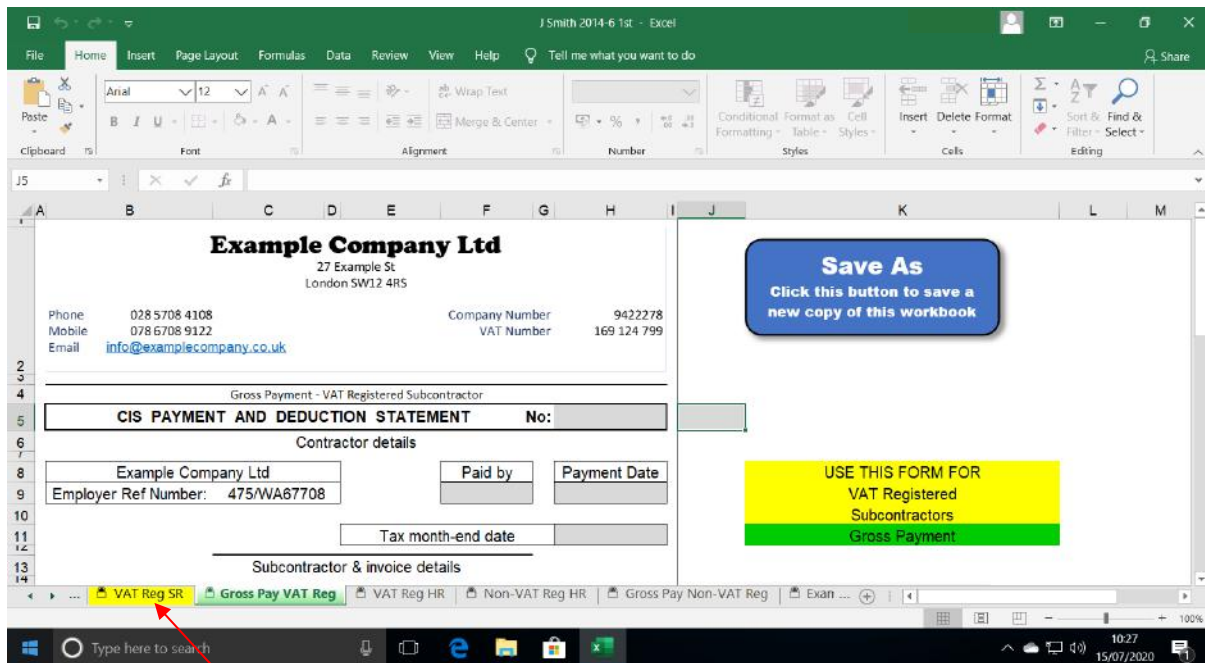
You should now see a screen similar to below.



Now using your mouse left-click on "Delete".



You should now see a screen similar to below.



You may wish to delete the other worksheets that are not required.

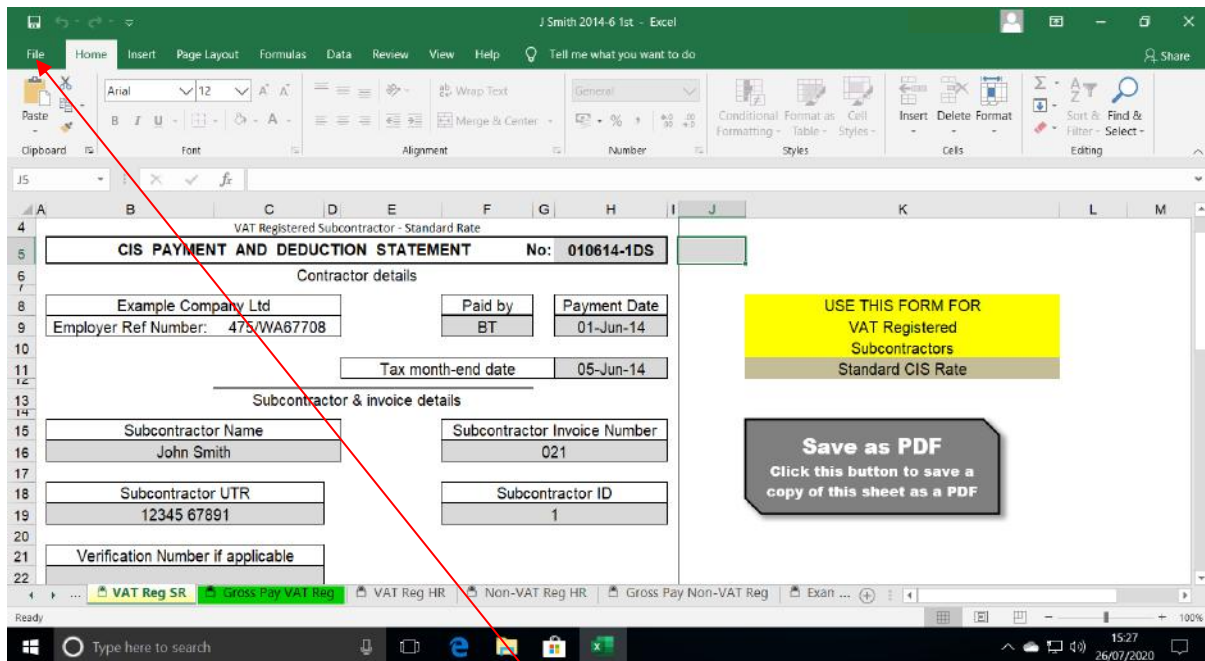
**Critical Note.** Do not delete the “Instructions” or “Setup” worksheets.

**Note,** you do not have to delete the unused worksheets.

Next using your mouse left-click on the worksheet tab that you have filled out for you subcontractor.

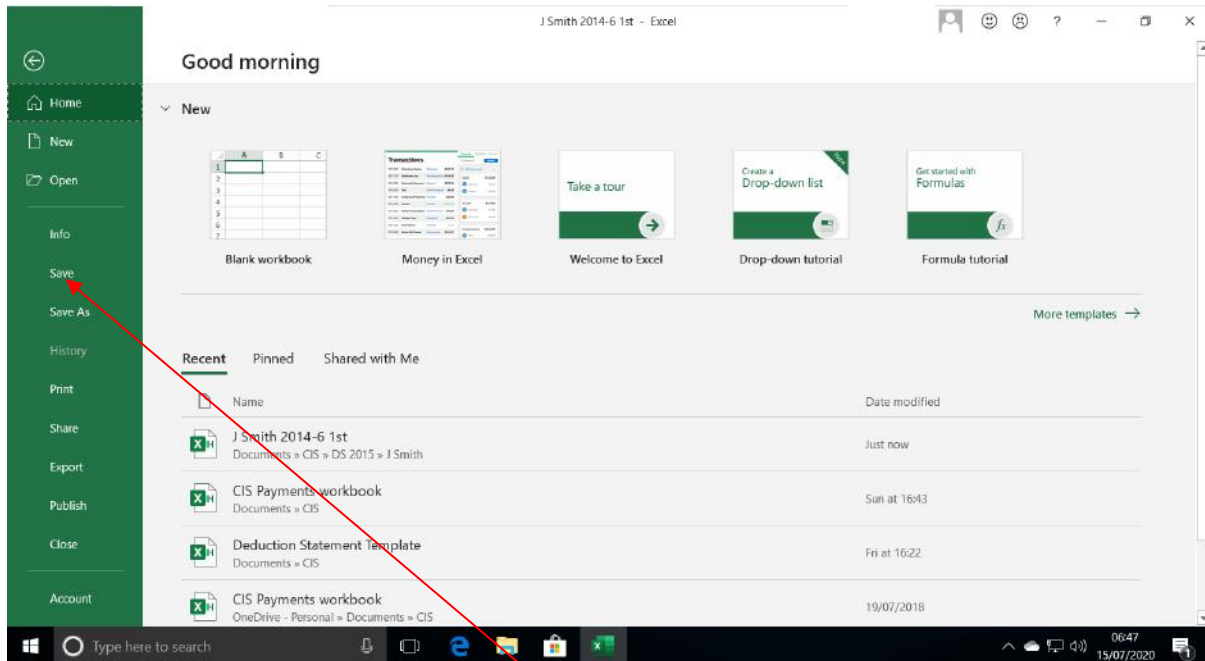
In our case, we will left-click on the “VAT Reg SR” tab, as this is the worksheet we filled in for John Smith.

You should now see a screen similar to below.



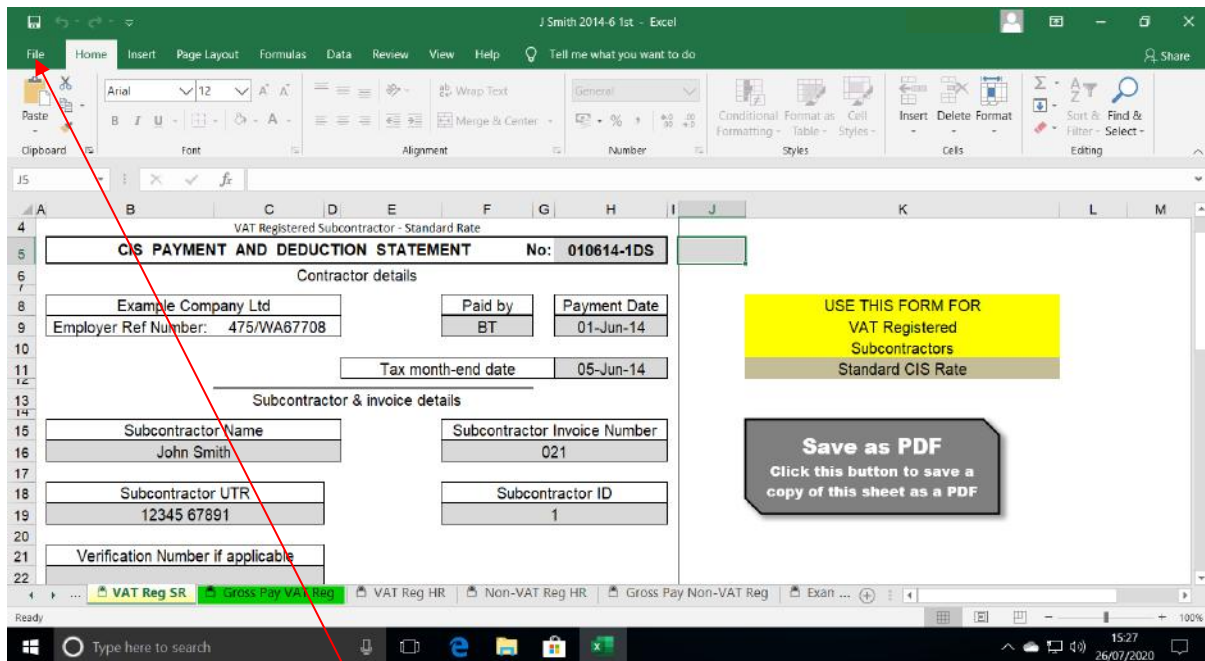
Next using your mouse left-click on the “File” menu button.

You should now see a screen similar to below.



Next using your mouse left-click on the “Save” button. This will save the changes you have made.

You should now see a screen similar to below.



We will now print out a copy of the Deduction Statement.

We will do this so that you can supply your subcontractor with a hard copy.

Also, (if you are using the CIS Payments workbook) we can use the information from this to enter the details for this payment into the CIS Payments workbook.

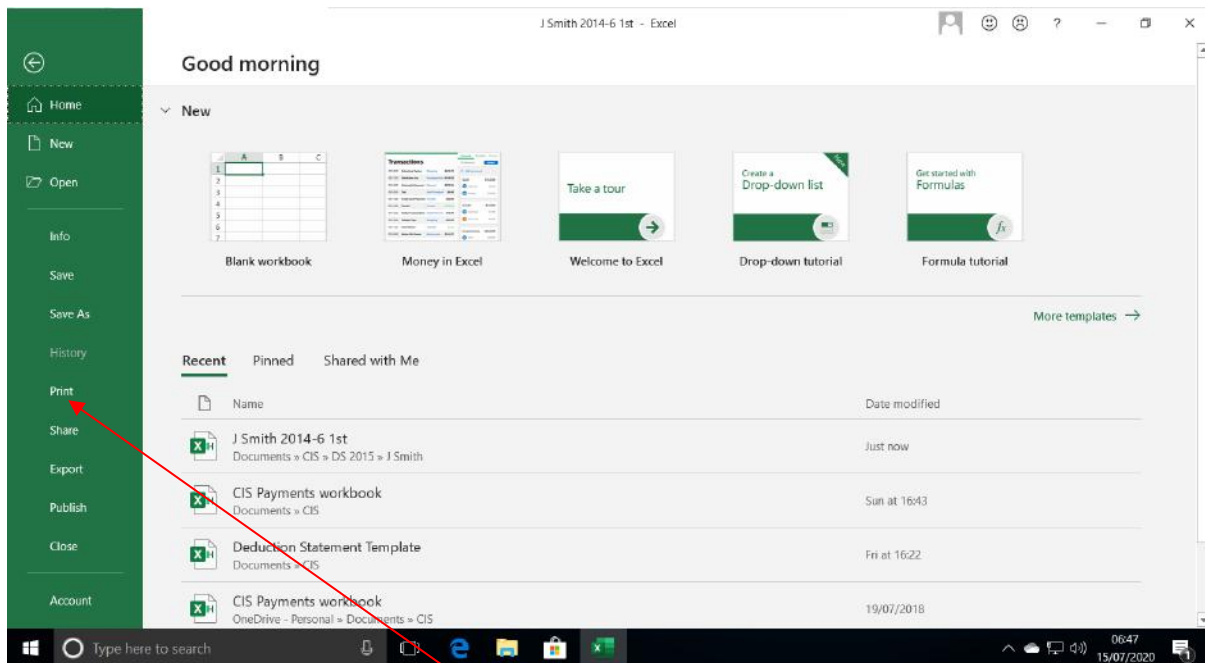
Using your mouse left-click on the “File” menu button.

**Note**, it is a legal requirement to supply your subcontractors with copies of their Deduction Statements.

**Note**, you can supply a digital copy to your subcontractors if they agree to that.

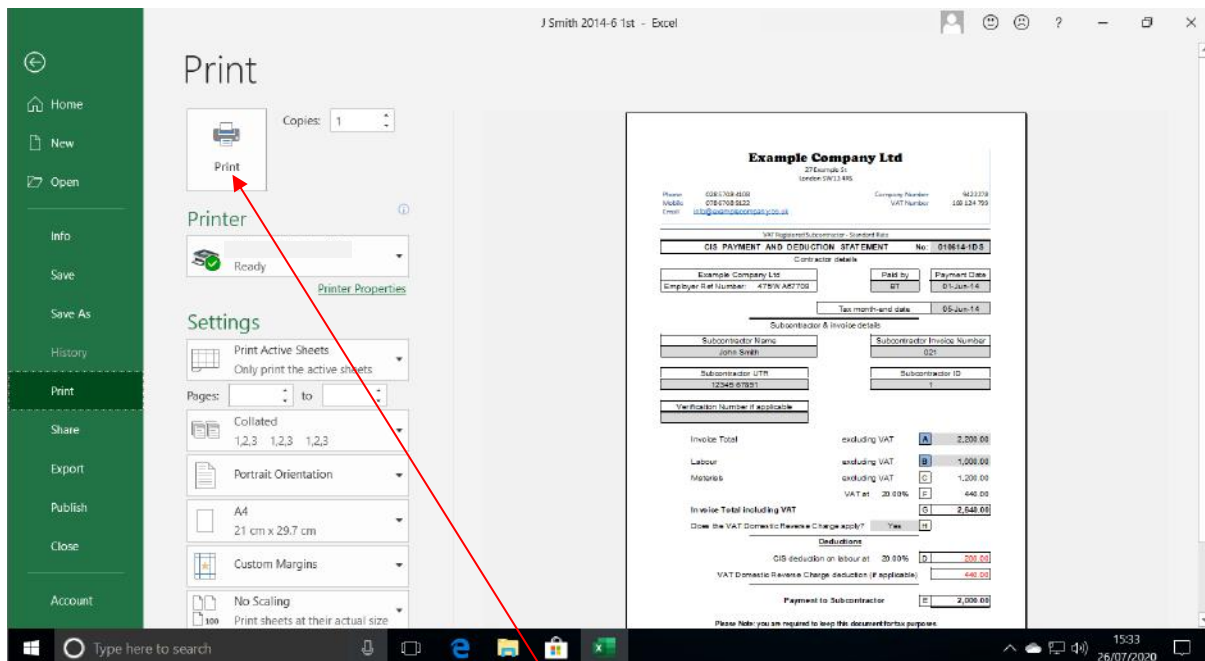
**Note**, if you are using the CIS Payments workbook you should enter the details for this subcontractor payment into the CIS Payments workbook as soon as you have finished carrying out these instructions.

You should now see a screen similar to below.



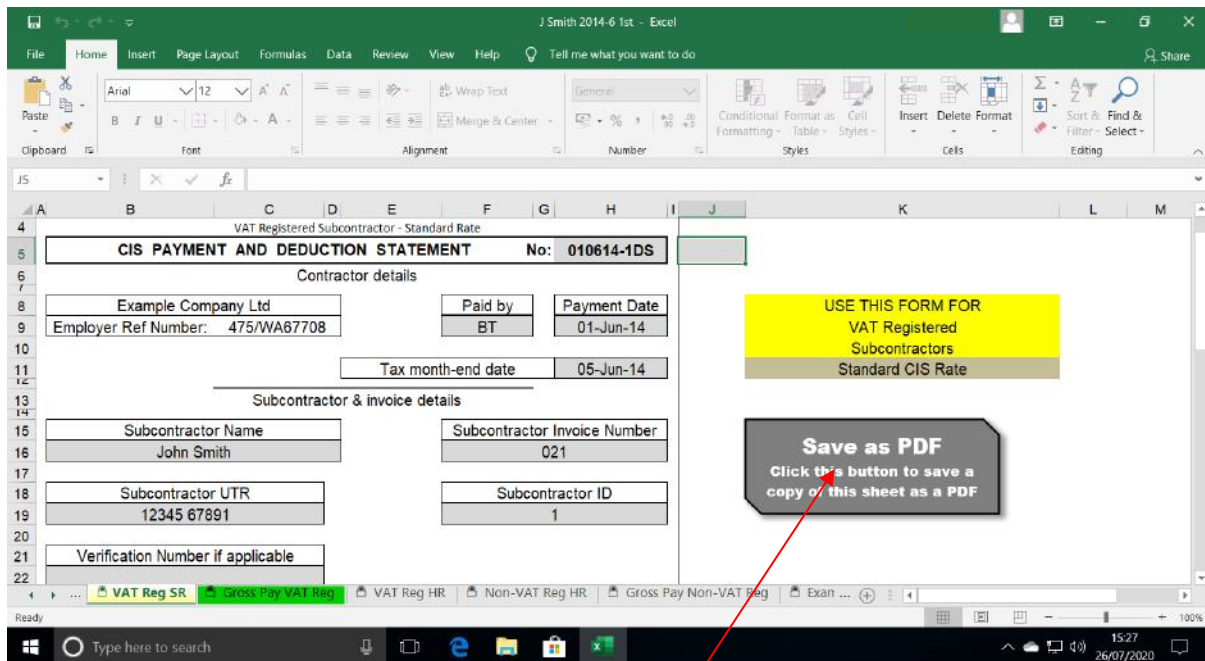
Next using your mouse left-click on "Print".

You should now see a screen similar to below.



Next using your mouse left-click on the "Print" button.

You should now see a screen similar to below.

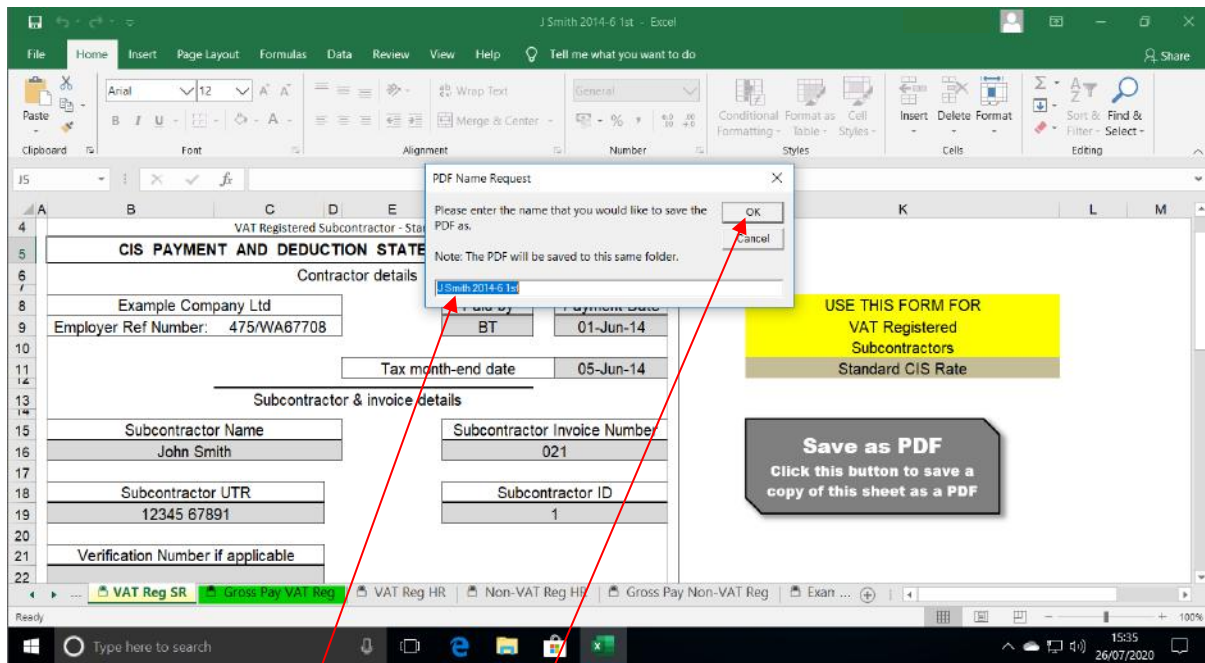


We will now create a "PDF" copy of the Deduction Statement.

We will do this so that you can supply your subcontractors with a digital copy, which you can send to them via email.

Using your mouse left-click on the "Save as PDF" button.

You should now see a screen similar to below.



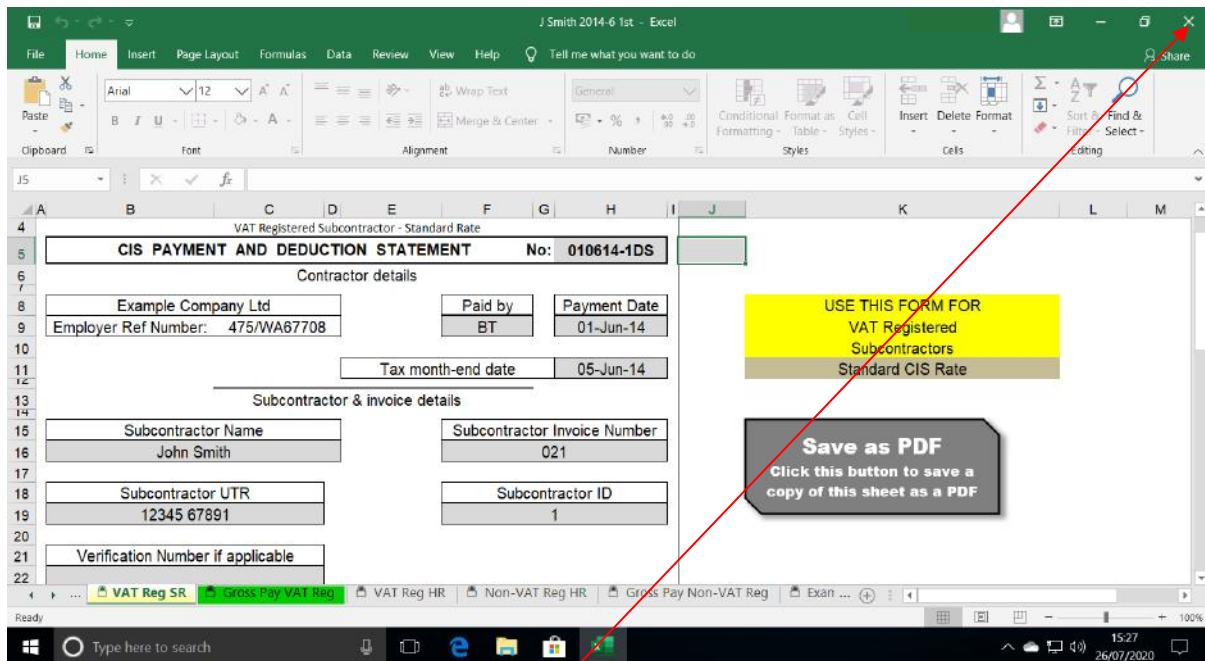
By default, the PDF name will be the same as the current Deduction Statement – we highly recommend leaving it as is, although you can change it if you want.

Using your mouse left-click on the “OK” button.

**Note**, the PDF will be saved to the same folder location as the current Deduction Statement workbook.

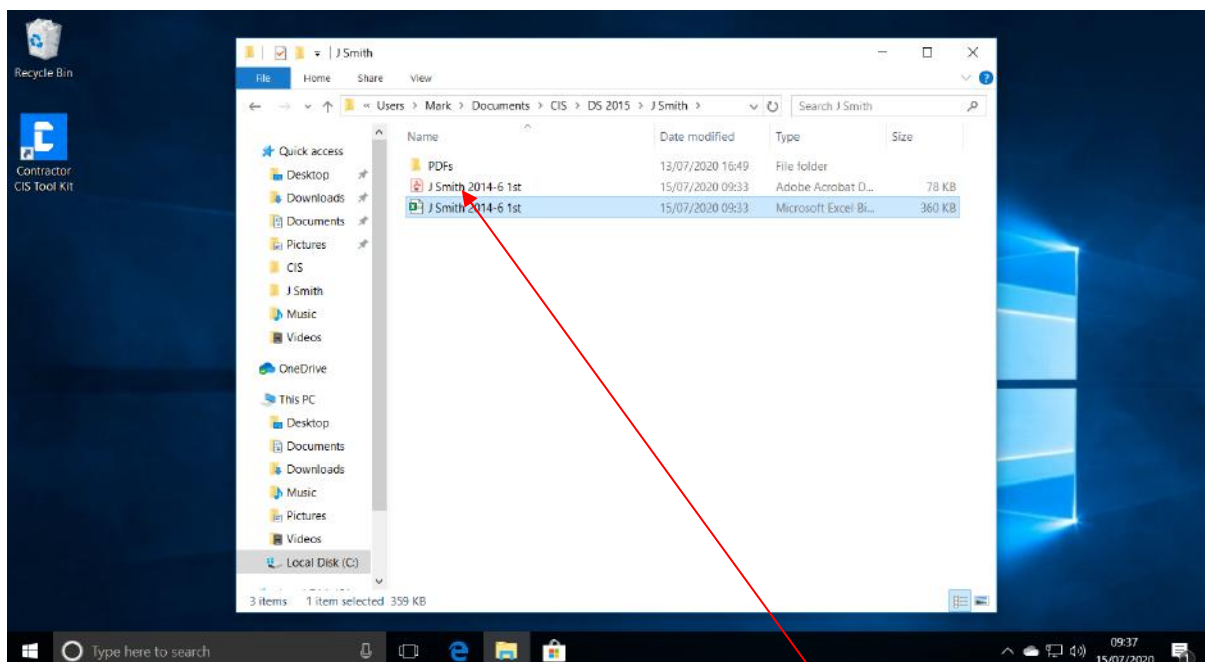


You should now see a screen similar to below.



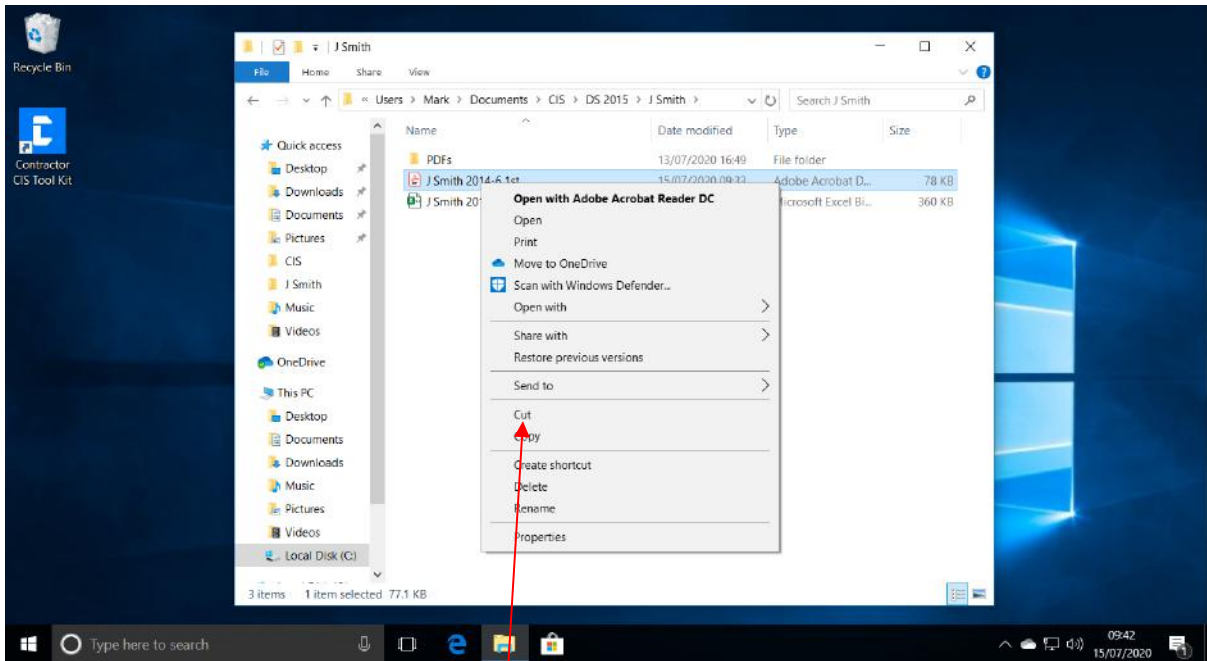
Next using your mouse left-click the Close button to close the Deduction Statement workbook.

You should now see a screen similar to below.



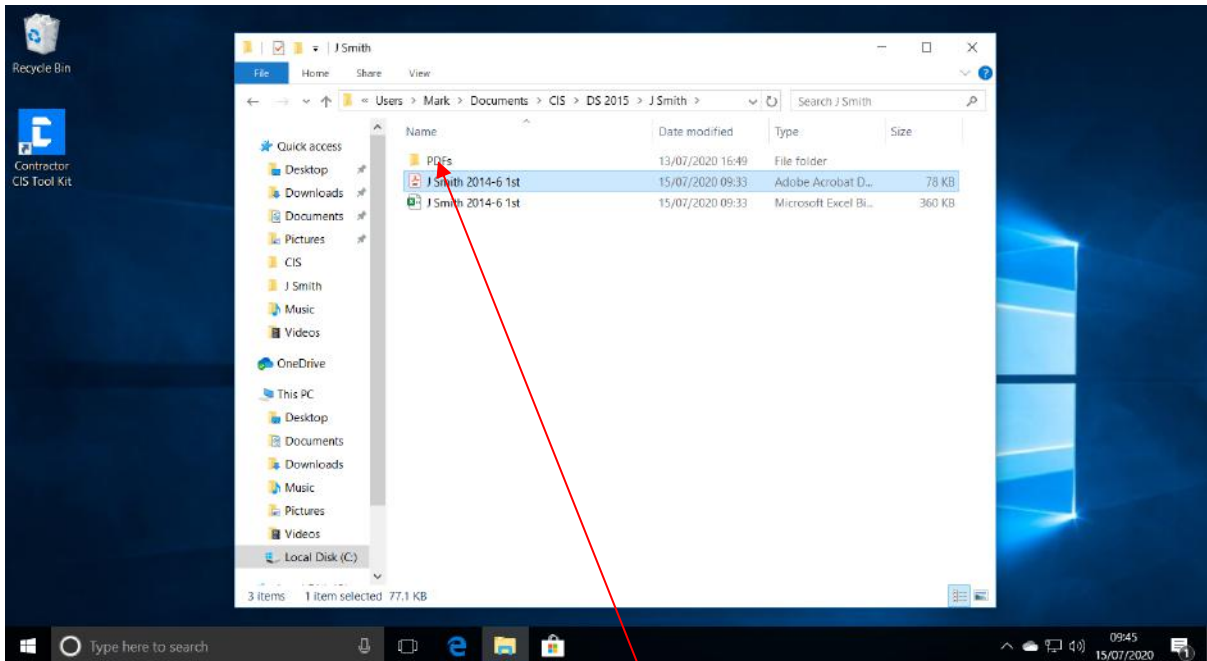
Next using your mouse right-click on the Deduction Statement PDF.

You should now see a screen similar to below.



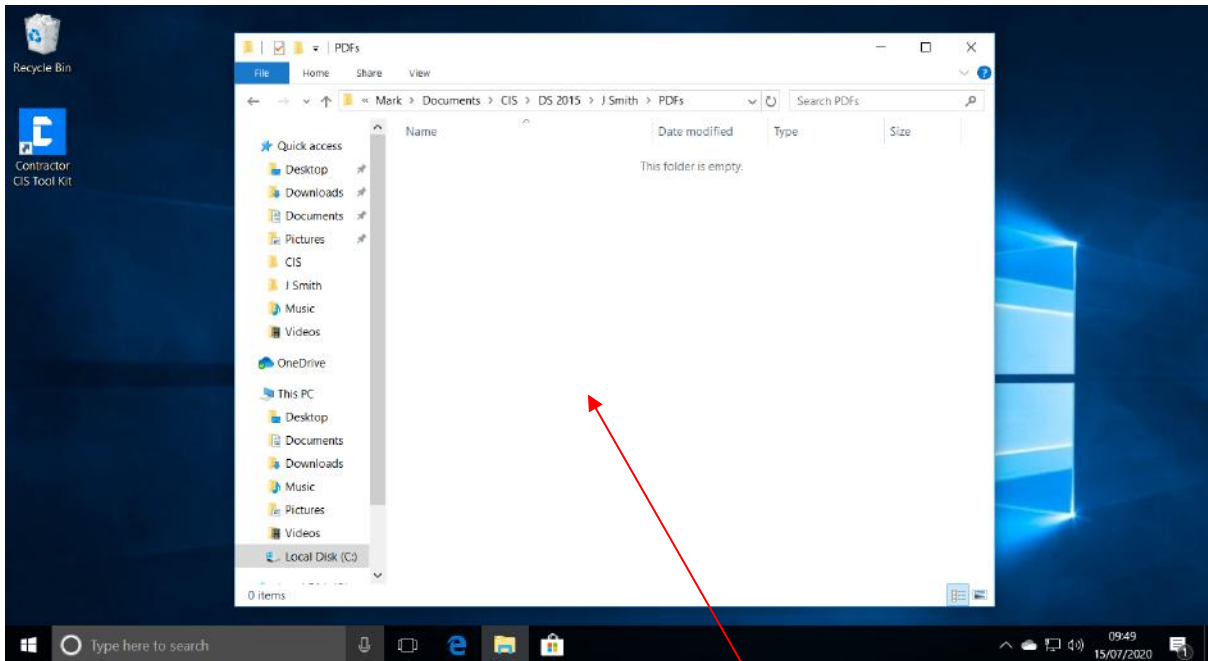
Now using your mouse left-click on “Cut”.

You should now see a screen similar to below.



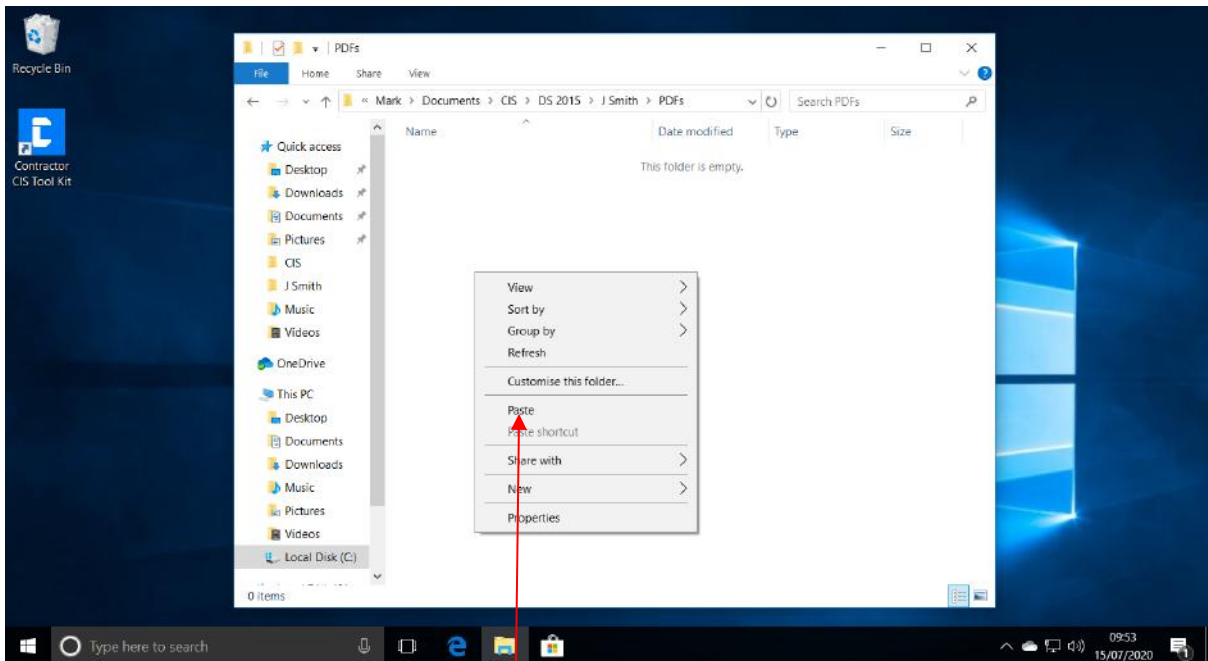
Next using your mouse double left-click on the “PDFs” folder to open it.

You should now see a screen similar to below.



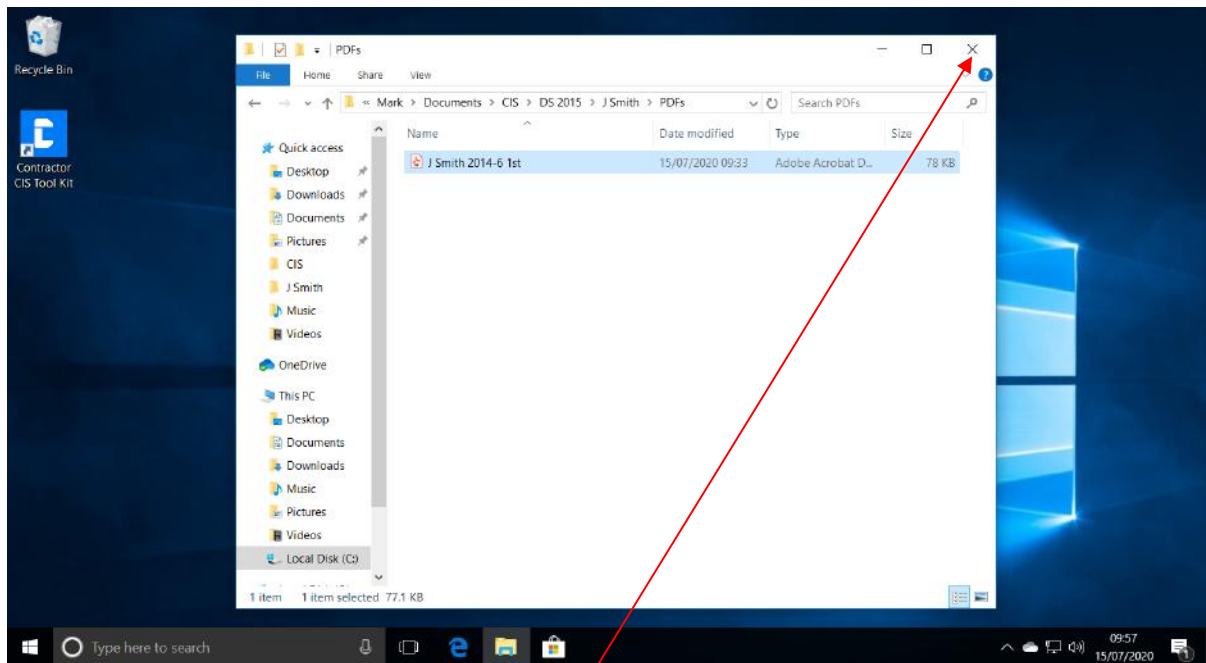
Next using your mouse right-click in a clear area in the “PDFs” folder.

You should now see a screen similar to below.



Next using your mouse left-click on “Paste”.

You should now see a screen similar to below.



Next using your mouse left-click on the Close button to close the window.

All done

**Note**, you should now get the Deduction Statement that you printed out earlier and use the information from this to enter the details into the CIS Payments workbook.

**Note**, you are required by HMRC to give your subcontractors a copy of all the Deduction Statements relating to all payments that you make to them.

The only exception to this is if the subcontractor is not subject to CIS deductions, i.e. gross payment subcontractor.

**Important Tip.** In the future, when you want to make another payment to this subcontractor. You can go directly to the most recent Deduction Statement that you have created for this subcontractor and open it.

You will then left-click on the “Save As” button on the Deduction Statement worksheet.



Enter a new file name when prompted and then left-click “OK”. The saved copy will be saved to the same folder location as the existing.

This will save you having to fill out all of the subcontractor’s details again – you can just update what is required for this payment.

*Screenshots used with permission from Microsoft*