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The Rt Hon Rachel Reeves MP
Chancellor of the Exchequer
HM Treasury
The Correspondence & Enquiry unit
1 Horse Guards Road
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Our Ref: MP10189

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Dear Chancellor,

I am writing to raise an urgent constituency case that highlights serious systemic flaws in the operation of the Construction Industry Scheme (CIS), specifically in relation to the repayment of overpaid tax deductions.

A business in my constituency has recently been forced to close after experiencing significant cashflow pressures caused by CIS deductions that exceeded its actual tax liability. Despite this overpayment being acknowledged, HM Revenue & Customs advised that a refund could not be processed until after the end of the tax year.

By that point, the financial strain had become unsustainable, and the business ceased trading.

This case reflects wider structural issues within the CIS framework, where tax is deducted at a flat rate on gross payments without regard for costs. This routinely causes subcontractors to overpay throughout the year. Because businesses must then wait until the end?of?year reconciliation to reclaim these funds, they face prolonged and unnecessary cashflow pressures. The rigid rules that prevent in?year refunds, even when overpayment is obvious, expose otherwise viable firms to avoidable financial strain. The impact is felt most sharply by SMEs and sole traders, who have the least capacity to absorb such delays.

Given the seriousness of this issue, I would be grateful if you could address the following:

- What assessment has been made of the impact of CIS refund delays on business solvency, particularly among SMEs?
- Whether HM Revenue & Customs will review its policy on in-year repayments where overpayment is evident.
- What steps are being considered to introduce greater flexibility or interim repayment mechanisms to prevent similar cases in future.
- Whether there are plans to improve processing times and transparency for CIS repayment claims.

This case demonstrates that the current approach is not merely administratively inconvenient but can have devastating real-world consequences. Change is needed to ensure that the CIS operates fairly and does not inadvertently contribute to business failure.

Yours sincerely,

Dr Manuela Perteghella MP
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