

SUBCONTRACT AGREEMENT

CONTRACT — EACH PARTY KEEPS A SIGNED COPY

Contractor and subcontractor — one package, labour-only or supply-and-fix

KD-AGR-SC-003 Rev A0

For one package placed by a contractor with a subcontractor. Check the subcontractor first (KD-SUB-PQ-001); the health and safety conditions KD-SUB-HS-002 are part of this contract (term 10); the payment notices are KD-PAY-PN-003, PL-004, DN-002 and SN-005; the CIS records are KD-CIS-VR-001 and PD-002. For a homeowner use KD-AGR-DC-001; for a business client KD-AGR-SW-002. HGCRA 1996 Part II applies to this subcontract even on a house, because the homeowner is not a party to it. From 1 October 2026 a contractor can face a civil penalty for illegal working by individual subcontractors and by individuals further down its supply chain — term 12 carries the right to work terms; take advice on which checks apply.

BEFORE YOU USE THIS CONTRACT

- This is a template. The contractor and the subcontractor complete every field, strike out what does not apply, initial every change, and both read the whole contract — Part A, the details and signatures (sections 1 to 9), and the terms (section 10, terms 1 to 16) — before signing.
- Take independent legal advice where the value or the risk of the package justifies it. This contract is not legal advice and was not written for your job.
- For a large or complex package, or where the main contract is a published standard form (for example the JCT Minor Works Building Contract 2024), a published form of subcontract written to sit under that main contract may suit better.
- Nothing in this contract removes rights the law gives either party that cannot be excluded — for example the rights under HGCRA 1996 Part II to payment notices, to suspend for non-payment and to refer a dispute to adjudication at any time.
- Written for England and Wales, for a subcontract between businesses. HGCRA 1996 Part II applies to construction operations in England, Wales and Scotland (s.104(6)(b)); Scotland has its own Scheme and contract law, and Northern Ireland its own construction contracts legislation — take advice before using this contract there.

PART A — THE DETAILS OF THIS CONTRACT

1 THE PARTIES

CONTRACTOR — LEGAL NAME		COMPANY NO.	ADDRESS FOR NOTICES	
CONTRACTOR'S REPRESENTATIVE	EMAIL FOR NOTICES	VAT REGISTRATION NO.		EMPLOYER TAX REF (CIS)
SUBCONTRACTOR — LEGAL NAME		COMPANY NO.	ADDRESS FOR NOTICES	
SUBCONTRACTOR'S CONTACT	EMAIL FOR NOTICES	VAT REGISTRATION NO.	UTR	
NI NO. / PARTNER DETAILS	CIS STATUS THE SUB STATES	VERIFIED WITH HMRC ON	TREATMENT HMRC GAVE	

The contractor verifies the subcontractor with HMRC before the first payment unless HMRC's guidance says it need not, and deducts at the rate HMRC gives (term 6). The last two boxes record the result; leave them blank until HMRC has given it.

2 THE PROJECT AND THE MAIN CONTRACT

PROJECT AND SITE ADDRESS	ORDER / SUBCONTRACT NO.	CONTRACTOR'S CLIENT
MAIN CONTRACT FORM AND DATE	PRINCIPAL CONTRACTOR (CDM 2015)	PRINCIPAL DESIGNER (CDM 2015)

3 THE PACKAGE — TICK ONE

- ☐ LABOUR-ONLY — the subcontractor provides labour, supervision and its own hand tools; the contractor supplies the materials and what the table in term 2 gives it
- ☐ SUPPLY-AND-FIX — the subcontractor supplies the materials and fixes them, with its own labour, supervision, tools and plant, apart from what the table in term 2 gives the contractor

DESCRIPTION OF THE PACKAGE

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DRAWINGS — NUMBERS AND REVISIONS

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SPECIFICATION / SCHEDULE OF WORK

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EXCLUSIONS — WORK THAT IS NOT IN THIS PACKAGE

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DESIGN BY THE SUBCONTRACTOR

DESIGN SENT — WORKING DAYS

INSPECTION AND TEST PLAN

4 THE PRICE — TICK ONE BASIS

☐ Lump sum — a fixed price for the package

☐ Measured — rates × quantities done

☐ Day rates — time worked at the rates below

SUBCONTRACT SUM £ (EXCL. VAT)

PRICED SCHEDULE / RATES REF

DAY RATES (ALSO USED FOR DAYWORK)

The price and rates exclude VAT. Tick the VAT treatment the parties expect (term 6.6) — it records what they expect, not a ruling; each party checks HMRC's guidance for its own position.

☐ Domestic reverse charge — both VAT registered, CIS work, standard or reduced rated

☐ No VAT charged — the subcontractor is not VAT registered

☐ Normal VAT — the contractor has confirmed in writing it is an end user or intermediary supplier (rare for a contractor: see term 6.6)

☐ Zero-rated work — no VAT and no reverse charge

5 PROGRAMME AND LATE COMPLETION

START ON SITE

DURATION

COMPLETION DATE

PROGRAMME REF / REV

WORKING HOURS

SECTIONAL DATES

RETURN VISITS / NOTICE

Damages for late completion — tick one before signing; this is never left blank (term 3.5):

Fixed delay damages at the rate per week below — a genuine figure the parties agree for the contractor's likely loss; take advice before agreeing a rate

The contractor's proven loss caused by the late completion — take advice on the size of that exposure before agreeing it

☐ No damages for late completion

DELAY DAMAGES £ PER WEEK

CAP ON DELAY DAMAGES

EXTENSION DECIDED WITHIN (DAYS)

6 PAYMENT

Payment is not conditional on the contractor being paid by its client or anyone else (term 5.8). The periods are counted as term 1.5 says.

APPLICATION DATE

FIRST APPLICATION

PAYMENT DUE DATE

FINAL DATE FOR PAYMENT

OTHER CYCLE

PAYMENT NOTICE (DAYS)

PAY LESS NOTICE (DAYS)

FINAL ACCOUNT WITHIN

FINAL PAYMENT DUE

☐ No retention

Retention kept at the rate below and released under term 5.11

RETENTION %

HALF RELEASED — LONG-STOP DATE

BALANCE RELEASED — LONG-STOP DATE

☐ Late payment: statutory interest and compensation under the Late Payment of Commercial Debts (Interest) Act 1998

☐ Late payment: interest at the contractual rate below instead — valid only if it is a substantial remedy (ss.8 and 9 of that Act)

CONTRACTUAL INTEREST RATE

Public sector projects: if the main contract is a public contract under the Procurement Act 2023, a term is implied into this subcontract that a sum due is paid within 30 days of the day a valid invoice is received (or, if later, the day payment falls due under the invoice), and it cannot be restricted or overridden (ss.68 and 73; some contracts are excepted). Set the dates in this section to fit, and take advice.

7 DEFECTS, INSURANCE, LIABILITY, WARRANTIES AND DISPUTES

RECTIFICATION PERIOD

PUBLIC LIABILITY — MIN £

EMPLOYERS' LIABILITY — MIN £

PROFESSIONAL INDEMNITY £

Insurance of the works and materials on site — tick one:

☐ The contractor's contractors' all risks policy covers the subcontract works and materials on site; the subcontractor pays the excess below where its negligence caused the loss

☐ The subcontractor insures its own works and materials on site to their full value until the works are complete

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EXCESS THE SUB PAYS £

CONTRACTOR'S POLICY — INSURER / NO.

CAP ON EACH PARTY'S LIABILITY

No collateral warranty or third-party rights are required from the subcontractor

The main contract requires the subcontractor to give the warranty or third-party rights described below (term 16.4)

WARRANTY OR THIRD-PARTY RIGHTS — TO WHOM, FORM AND WHEN

ADJUDICATOR NOMINATING BODY

NAMED ADJUDICATOR (OPTIONAL)

8 THE DOCUMENTS THAT MAKE UP THIS CONTRACT

- | | |
|---|---|
| ☐ Part A and the terms of this contract | ☐ The programme in section 5 |
| ☐ KD-SUB-HS-002 Health and Safety Conditions of Subcontract, completed | ☐ The construction phase plan extract and site rules (KD-SUB-SP-006) |
| ☐ The drawings and specification in section 3 | ☐ The main contract extracts listed below |
| ☐ The priced schedule or rates in section 4 | ☐ The subcontractor's quotation (ref below) — for the price only |

OTHER DOCUMENTS AND MAIN CONTRACT EXTRACTS — REFERENCES AND DATES

If the documents conflict: Part A first, then the terms, then KD-SUB-HS-002 (but on a health and safety matter the stricter requirement applies — term 10.3), then the other documents in the order ticked. Terms and conditions printed on the subcontractor's quotation, delivery notes or invoices, or on the contractor's order form, do not apply.

9 SIGNATURES

By signing, each party agrees to the contract made up of Part A (sections 1 to 8), the terms that follow (terms 1 to 16) and the documents ticked in section 8, and confirms it has read all of them. Each party keeps a signed copy of every page.

For the contractor

PRINTED NAME	POSITION / CAPACITY	SIGNATURE	DATE

For the subcontractor

PRINTED NAME	POSITION / CAPACITY	SIGNATURE	DATE

10 TERMS OF THIS CONTRACT

1 HOW THIS CONTRACT WORKS

- The contractor engages the subcontractor to carry out the package in section 3, and the subcontractor agrees to carry it out, for the price in section 4, on these terms. "The works" means that package as changed under term 4. "In writing" includes email to the address in section 1. "Working day" means Monday to Friday, except public holidays in England and Wales.
- The terms marked LABOUR-ONLY apply only where that box is ticked in section 3, and those marked SUPPLY-AND-FIX ONLY only where that box is ticked.
- The subcontractor is bound by the main contract only as far as the extracts listed in section 8 go, and only if it had them before signing. It carries out the works so as not to put the contractor in breach of those extracts.
- A notice under this contract is in writing and is given by hand, by first class post to the address in section 1, or by email to the email address in section 1. It is treated as given: by hand, when delivered; by first class post, on the second working day after posting; by email, when sent — or, if sent after 17:00 or on a day that is not a working day, on the next working day. Each party tells the other in writing if its address changes.
- Periods in days are counted as HGCRA 1996 s.116 counts them: a period after a date begins the day after that date, and Christmas Day, Good Friday and bank holidays are left out.

2 SCOPE, ACCESS AND ATTENDANCES

- The subcontractor carries out and completes the works in a good and workmanlike manner, in line with the documents in section 8, the product manufacturers' instructions and the contractor's reasonable directions on sequence and working with other trades.
- The subcontractor provides everything the works need — labour, supervision, tools and equipment, and (SUPPLY-AND-FIX ONLY) materials, plant and transport — except what this term or the table below puts on the contractor.
- The contractor gives the subcontractor access to the work areas when the programme needs them, clear enough of other trades for the work to be done, and protects the subcontractor's finished work once it has been handed over — unless the table below ticks that protection for the subcontractor.
- Each line in the table is ticked for the contractor or for the subcontractor. A line ticked for neither is the contractor's to provide, unless its details say otherwise.

ITEM	CONTRACTOR	SUBCONTRACTOR	DETAILS AND LIMITS
Welfare — toilets, washing, drying room, rest area			
Scaffold and fixed access — erected, altered and inspected			
Mobile access — MEWPs, towers			

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ITEM	CONTRACTOR	SUBCONTRACTOR	DETAILS AND LIMITS
Hoisting and lifting — crane, hoist or telehandler with operator	☐	☐	
Temporary power (110V) and task lighting to the work areas	☐	☐	
Water supply	☐	☐	
Secure storage and laydown space	☐	☐	
Waste skips and their removal	☐	☐	
Unloading and distributing materials	☐	☐	
Setting out — grid lines and datum levels	☐	☐	
Protecting finished work after it is handed over	☐	☐	

FREE-ISSUE WASTE ALLOWANCE %

OTHER ATTENDANCE DETAILS

2.5 LABOUR-ONLY: the contractor supplies the materials to the place and at the times the programme needs. The subcontractor checks them when they are delivered or issued, tells the contractor within one working day of any shortage, damage or wrong item, stores and uses them with care, and pays for loss or waste caused by its own negligence beyond the waste allowance above. Those materials stay the contractor's property.

2.6 The subcontractor tells the contractor in writing of any error, omission or conflict it finds in the documents, before starting the work affected. It does not carry out work it knows to be shown wrongly until the contractor instructs it.

3 PROGRAMME, DELAY AND EXTENSIONS OF TIME

3.1 The subcontractor starts on the date in section 5 (or on the notice section 5 allows), proceeds regularly and diligently, keeps to the contractor's programme as reasonably updated, and completes the works by the completion date and any sectional date, as extended under this term.

3.2 As soon as the subcontractor becomes aware that its work is being or is likely to be delayed, it tells the contractor in writing — whatever the cause — giving the cause, the work affected and its estimate of the delay to completion, and then any further details the contractor reasonably asks for. KD-CA-ND-005 can be used for the notice.

3.3 The contractor gives a fair and reasonable extension of the completion date (and of any sectional date affected) where completion is delayed by: (a) an instruction under term 4, unless it was needed because of the subcontractor's own default; (b) an act or omission of the contractor, its other subcontractors or its client, including late information, access or free-issue materials; (c) a suspension for non-payment under term 5.10 — in any case, any period during which the work is suspended, or is delayed as a result of the suspension (including remobilising), is added to the time for completing any work affected (HGCRA 1996 s.112(4)); (d) any other cause written below. The contractor decides in writing within the number of days in section 5 after receiving the notice and details. If it does not, or the subcontractor disagrees, either party may refer the question to adjudication (term 15).

OTHER CAUSES THAT GIVE MORE TIME

3.4 Each party does what it reasonably can to prevent or reduce delay, but the subcontractor is not required to spend significant extra money on it unless the contractor instructs it — the instruction is then valued under term 4.

3.5 If the subcontractor does not complete by the completion date or a sectional date, as extended, the damages for late completion are those ticked in section 5: (a) fixed delay damages at the weekly rate stated, for each week of delay and pro rata for part of a week; or (b) the contractor's proven loss caused by the late completion; or (c) none — in which case no damages for late completion are payable, though the contractor's other rights, including under term 14, remain. If box (a) is ticked and a weekly rate is written in, (a) applies even if another box is also ticked. Otherwise, if none of the three boxes, or more than one, is ticked, (b) applies. Under (a) or (b) the total is not more than the cap in section 5, if one is stated, and in every case not more than the overall cap in section 7 (term 13.3). The contractor first tells the subcontractor in writing that it has not completed, and can deduct damages only by a valid pay less notice (term 5.7).

3.6 Extra cost caused on the contractor's side. Where something the contractor, its other trades or its client does or fails to do holds up, interrupts or makes more expensive the subcontractor's work, and the subcontractor is not paid for it under term 4 or another term, the contractor pays the extra cost the subcontractor reasonably and actually incurs as a result — for example people and plant left standing, or an extra return visit. To be paid, the subcontractor tells the contractor in writing as soon as it reasonably can once it knows the extra cost is arising (KD-CA-LE-006 can be used), keeps a record of the time and resources affected, and hands that record over when the contractor asks.

4 INSTRUCTIONS, VARIATIONS AND DAYWORK

4.1 Only the contractor's representative in section 1, or another person the contractor names in writing, may instruct the subcontractor. The subcontractor does not act on instructions from the client, designers or other trades; it refers them to the contractor.

4.2 The contractor may instruct a variation in writing — adding to, omitting from or changing the works, or the order, hours or access for doing them. The subcontractor carries out the instruction unless it tells the contractor within two working days of a reasonable objection (for example the work is outside its trade or cannot be done safely as instructed). The contractor may not omit work in order to give it to someone else.

4.3 The subcontractor gets every variation in writing before carrying it out. If an instruction is given verbally, the subcontractor confirms it to the contractor in writing within two working days, and it stands as a written instruction unless the contractor disputes the confirmation in writing within two working days of receiving it. Where there is an immediate danger, the subcontractor makes the work safe first and confirms afterwards.

4.4 Where the contractor asks, the subcontractor quotes for a variation before carrying it out, stating the price, the effect on time and its assumptions (KD-CA-VQ-002 can be used). A quotation the contractor accepts in writing fixes the value and the time for that variation.

4.5 A variation without an accepted quotation is valued fairly: at the rates or prices in section 4 where they fit the work; at those rates adjusted for the difference where the work or its conditions differ; and otherwise at a fair price built up from the cost of labour, plant and materials with a reasonable addition for overheads and profit. Omissions are valued the same way.

4.6 Work the contractor instructs in writing to be done as daywork is paid at the day rates in section 4, on daywork sheets (KD-CA-DW-003) given to the contractor's

representative for signature by the end of the next working day. A signature on a daywork sheet records the people, hours, plant and materials only.

- 4.7 The value and time of each variation go into the next application and on the change register (KD-CA-VR-001). Work done without an instruction under this term is not paid for unless the contractor confirms it in writing afterwards; a dispute about whether an instruction was given can still be referred to adjudication.

5 PAYMENT, NOTICES, INTEREST AND SUSPENSION

- 5.1 Applications. On each application date in section 6 the subcontractor sends the contractor an application stating the sum it considers will become due on the payment due date and how that sum is calculated: the value of the work done, variations and daywork, and (SUPPLY-AND-FIX ONLY) materials delivered to site for the works and properly stored — less any retention and the amounts already paid. It shows the direct cost of materials separately for CIS (term 6.2). KD-PAY-AP-001 can be used.
- 5.2 Due date and final date. Each payment becomes due on the payment due date in section 6, counted from the fixed application date — a late or missing application does not move it. The final date for payment is the number of days after the due date stated in section 6.
- 5.3 Payment notice. Not later than five days after each payment due date (or the fewer days in section 6), the contractor gives the subcontractor a payment notice stating the sum it considers to be or to have been due at the payment due date and the basis on which that sum is calculated. The sum may be zero (HGCRA 1996 s.110A; KD-PAY-PN-003).
- 5.4 No payment notice. If the contractor gives no payment notice in time, the subcontractor's application — if it was sent on the application date as term 5.1 requires — is the sum to be paid (HGCRA 1996 s.110B(4)). If no such application was sent, the subcontractor may give a notice in default at any time after the payment notice was due, stating the sum it considers due and its basis (KD-PAY-DN-002); the final date for payment then moves later by the number of days between the date the payment notice was due and the date the notice in default is given (s.110B(2) and (3)).
- 5.5 Paying the notified sum. By the final date for payment the contractor pays the sum in its payment notice, or the sum that stands under term 5.4, to the extent not already paid (HGCRA 1996 s.111(1)). The CIS deduction the contractor makes and pays to HMRC under term 6 counts as paid to the subcontractor.
- 5.6 Pay less notice. The contractor may pay less than that sum only if it gives the subcontractor a pay less notice stating the sum it considers to be due on the date the notice is given and the basis on which that sum is calculated (the sum may be zero), not later than the number of days before the final date for payment stated in section 6 — or seven days if none is stated. A pay less notice answering a sum that stands under term 5.4 may not be given before the application or notice in default it answers. The contractor then pays the sum in the pay less notice by the final date (HGCRA 1996 s.111(3) to (7); KD-PAY-PL-004).
- 5.7 Deductions. The contractor may deduct or withhold money from a sum due under this contract — for contra charges, defects, delay damages or anything else — only by a valid pay less notice under term 5.6.
- 5.8 Not conditional. Payment under this contract does not depend on the contractor being paid by its client or anyone else, or on any certificate, decision or payment under the main contract.
- 5.9 Interest. A sum not paid by its final date for payment carries interest until it is paid: statutory interest and the fixed compensation sum under the Late Payment of Commercial Debts (Interest) Act 1998, as that Act provides — or, where section 6 ticks a contractual rate, interest at that rate. Under the Act a contractual remedy that is not a substantial remedy for late payment does not replace statutory interest (ss.8 and 9). KD-PAY-LP-007 can be used.
- 5.10 Suspension. If the contractor does not pay by the final date for payment the sum it must pay under term 5.5 or 5.6, the subcontractor may suspend all or any of its work after giving the contractor at least seven days' notice of its intention, stating the grounds (HGCRA 1996 s.112(1) and (2); KD-PAY-SN-005). The right ends when the contractor pays that sum in full. The contractor pays the subcontractor a reasonable amount for the costs and expenses it reasonably incurs because of the suspension, and any period during which the work is suspended, or is delayed as a result of the suspension (including remobilising), is added to the time for completing any work affected (s.112(3A) and (4)). Where the contractor is a company in a formal insolvency procedure, read term 14.3 and take advice before suspending.
- 5.11 Retention. Where section 6 provides for retention, the contractor keeps back the percentage stated from the gross value in each payment notice. Half is released on completion of the works under term 9.1, and the balance at the end of the rectification period once the defects notified in it are put right. Each release becomes due 14 days after its event, or on its long-stop date in section 6 if that is earlier; the contractor gives a payment notice for it not later than five days after that due date; the final date for payment is the number of days after the due date stated in section 6; and terms 5.4 to 5.10 apply to it. No release depends on the main contract.
- 5.12 Final account. Within the period in section 6 after completion of the works, the subcontractor sends its final account with the documents supporting it. The account shows the retention still held, which is released under term 5.11 and not with the final account. The final payment becomes due the number of days in section 6 after the contractor receives the final account; the final date for payment is the number of days after that due date stated in section 6; and terms 5.3 to 5.10 apply to it.

6 CIS AND VAT

- 6.1 Verification. Before the first payment the contractor verifies the subcontractor with HMRC, unless HMRC's guidance says it need not — for example because it last included the subcontractor on a CIS return in the current or the two previous tax years (HMRC CIS 340 para 3.2). Before its first application the subcontractor gives the contractor the details HMRC needs (para 3.6): its name and UTR and — for a sole trader — its National Insurance number; for a company, its company registration number; for a partnership, the firm's name and UTR, the partner's name and, for an individual partner, the partner's UTR or National Insurance number, or for a company partner its UTR or company registration number.
- 6.2 Deductions. From each payment the contractor deducts the percentage HMRC tells it to apply (HMRC CIS 340 para 1.4) — none where HMRC confirms gross payment status — from so much of the payment as is not shown to be the direct cost to the subcontractor of materials used or to be used in the works (Finance Act 2004 s.61(1)). VAT is left out before the deduction is worked out. With each application the subcontractor shows the direct cost of the materials it bought for the works, and of plant it hired from a third party, and keeps the invoices. The contractor must check what is claimed and keep records so that the direct cost of materials (and third-party plant hire) claimed is not overstated — it can be held responsible for any under-deduction (HMRC CIS 340 paras 3.13 and 3.14). LABOUR-ONLY: with the materials supplied by the contractor there is usually little or nothing to show, but the subcontractor may still show plant it hired from a third party for the job and consumable items such as fuel for plant.
- 6.3 Statements. The contractor pays each deduction to HMRC and gives the subcontractor a written payment and deduction statement within 14 days of the end of each tax month — by the 19th of the month (HMRC CIS 340 para 3.15; KD-CIS-PD-002).
- 6.4 The subcontractor tells the contractor in writing straight away if its CIS registration or payment status changes, and the contractor applies the treatment HMRC gives it. Each party is responsible for its own tax and takes its own advice.
- 6.5 Records. The contractor keeps its verification and deduction records (KD-CIS-VR-001); a verification reference is the one HMRC gives and is never written in before HMRC gives it.
- 6.6 VAT. The price and rates exclude VAT. Where both parties are VAT registered, the payments are reported under CIS and the work is standard or reduced rated, the VAT domestic reverse charge for building and construction services normally applies — to labour-only work as well as supply-and-fix. The subcontractor's VAT invoice then shows the VAT due (or the rate), does not add it to the amount charged, and carries the words "reverse charge" (Value Added Tax Regulations

1995 reg 14(1)(o)) with a note that the customer accounts for the VAT — the HMRC VAT domestic reverse charge technical guide gives wording such as "Customer to pay the VAT to HMRC" — and the contractor accounts for that VAT to HMRC (Value Added Tax Act 1994 s.55A). It does not apply to zero-rated work, or where the subcontractor is not VAT registered. Nor does it apply where the contractor is an end user or intermediary supplier and has confirmed that to the subcontractor in writing no later than the time of the supply — but that is rare for a building contractor, which usually supplies the work on: it fits only where the contractor does not supply the work on (for example work to its own premises) or is connected with the end user as landlord and tenant of the same land or within the same corporate group. Each party checks HMRC's guidance for its own position.

7 MATERIALS, PLANT AND RISK

- 7.1** SUPPLY-AND-FIX ONLY: the materials and goods the subcontractor supplies are new unless the documents say otherwise, of the kind and quality the documents specify, of satisfactory quality, and fit for the purpose the documents make known. The subcontractor provides the product data, samples and test information the documents call for before ordering (KD-QA-SYS-005 can record them), and does not substitute a product without the contractor's written consent.
- 7.2** SUPPLY-AND-FIX ONLY: ownership of materials passes to the contractor when their value is included in a payment the contractor has made, or when they are fixed in the works, whichever is first. The subcontractor promises that it is entitled to pass ownership free of any claim by its own supplier. Materials off site are paid for only if the contractor agrees in writing beforehand.
- 7.3** Until the works are complete (term 9.1) the subcontractor bears the risk of loss of or damage to its work, its materials on site, and its plant, tools and equipment — except loss or damage caused by the contractor or its other trades, and except where section 7 records that the contractor's works policy covers the works and materials (the subcontractor then pays the excess in section 7 where its negligence caused the loss). The subcontractor insures, or bears the risk of, its own plant, tools and equipment in every case.
- 7.4** Plant and access equipment the subcontractor brings to site meets condition C9 of KD-SUB-HS-002. On completion, or if this contract ends, the subcontractor removes its plant, its surplus materials that the contractor has not paid for, and its waste, and leaves its work areas clean.

8 QUALITY, INSPECTION, HOLD POINTS AND DESIGN

- 8.1** The subcontractor inspects its own work before offering it for inspection, and keeps a record of that inspection.
- 8.2** The works are inspected to the plan in section 3. At each hold point the subcontractor stops, requests inspection with the notice the plan gives (KD-QA-SYS-003), and does not cover up, build over or move on until the contractor releases the hold point in writing (KD-QA-SYS-002). If the contractor does not inspect within the time the plan gives — or, if none, within one working day of the time requested — the subcontractor may proceed after telling it in writing, and is paid for opening up and making good if the work later proves to be in line with this contract.
- 8.3** Where the documents call for a benchmark or sample, the subcontractor provides it and does not carry on with the rest of that work until the contractor accepts it in writing (KD-QA-SYS-004).
- 8.4** The contractor may reject work, materials or goods that are not in line with this contract by a written notice giving the reason (KD-QA-SYS-007). The subcontractor puts them right at its own cost within the reasonable time the notice gives. If the contractor has covered work opened up and it proves to be in line with this contract, the cost of opening up and making good is valued under term 4 and any delay is a cause under term 3.3(b).
- 8.5** Before completion the subcontractor hands over the records the documents call for — test and commissioning results, product information, as-installed information and manufacturers' guarantees — and, where the contractor uses it, the subcontractor's quality sign-off record KD-QA-SYS-010.
- 8.6** DESIGN — only where section 3 records design by the subcontractor. The subcontractor carries out that design with the reasonable skill and care of a competent designer of that kind of work, and coordinates it with the drawings and specification in section 3. In England, a person carrying out design work must take all reasonable steps to plan, manage and monitor it so that the building work, if built to the design, would comply with all relevant requirements, and must cooperate with the client, designers and contractors to that end (Building Regulations 2010 reg 11J(2) and (4)).
- 8.7** The subcontractor sends its design drawings, calculations and product information to the contractor by the number of working days in section 3 before fabrication, ordering or installation, and does not go ahead with that part until the contractor has returned it without objection, or has not objected within five working days of receiving it. The contractor's comments, or the lack of them, do not take over the subcontractor's responsibility for its design.
- 8.8** The subcontractor gives the contractor and the contractor's client a free, non-exclusive licence to copy and use its design documents for the project, including its completion, operation, maintenance, repair and alteration. The subcontractor keeps the copyright.
- 8.9** The subcontractor keeps professional indemnity insurance for its design as section 7 requires (term 11.1(c)).

9 COMPLETION AND DEFECTS

- 9.1** The works are complete when the subcontractor has finished them, apart from minor items that do not affect use or following trades, and has handed over the records in term 8.5. The subcontractor gives written notice of completion. Within seven days the contractor confirms it, or lists what is outstanding; if it does neither, the works are treated as complete on the date of the subcontractor's notice.
- 9.2** The rectification period runs from completion for the period in section 7. The subcontractor puts right at its own cost any defect, shrinkage or other fault in the works that appears in that period and is due to materials or workmanship not in line with this contract, within a reasonable time after the contractor's written notice — straight away where there is a risk to safety, security or from water.
- 9.3** If the subcontractor does not start putting a defect right within the time in the notice, the contractor may give a further written notice of at least five working days and then have the defect put right by others and recover its reasonable cost — deducted only by a valid pay less notice (term 5.7).
- 9.4** The end of the rectification period does not end the subcontractor's liability for work that was not carried out in line with this contract.

10 HEALTH AND SAFETY, AND BUILDING REGULATIONS DUTIES

- 10.1** The subcontractor is a contractor under CDM 2015 for its work. Its duties under CDM 2015 reg 15 include: planning, managing and monitoring the work it and the workers under its control carry out so that, so far as is reasonably practicable, it is done without risks to health and safety (reg 15(2)); complying with the directions of the principal designer or principal contractor and the parts of the construction phase plan relevant to its work (reg 15(3)); not employing or appointing anyone to work on site unless they have, or are in the process of obtaining, the necessary skills, knowledge, training and experience (reg 15(7)); and giving its workers appropriate supervision, instructions and information, including the information reg 15(9) lists.
- 10.2** The subcontractor sends its risk assessments and method statements for the works by the time condition C1 of KD-SUB-HS-002 states and does not start an activity until its RAMS has been accepted. Acceptance does not take over the subcontractor's own duties. Everyone it sends to site attends the site induction before starting work.
- 10.3** KD-SUB-HS-002 Health and Safety Conditions of Subcontract, completed for this package, is part of this contract. Where it and these terms differ on a health and safety matter the stricter requirement applies; on anything else these terms apply.
- 10.4** The contractor gives the subcontractor the parts of the construction phase plan relevant to the works, the site rules and the site induction — or, where the contractor is not the principal contractor, passes on the principal contractor's.
- 10.5** The contractor may stop the subcontractor's work where it is unsafe (condition C13 of KD-SUB-HS-002). A stop caused by the subcontractor's unsafe working

gives no extension or extra payment; a stop that proves unjustified is a cause under term 3.3(b).

- 10.6 BUILDING REGULATIONS.** For building work in England the subcontractor is a contractor under Part 2A of the Building Regulations 2010. Among other duties it must: have the organisational capability (or, for an individual, the skills, knowledge, experience and behaviours) to carry out the work in accordance with all relevant requirements (reg 11F); not start work unless satisfied that the client is aware of the client's own duties — the contractor confirms this in writing on request (reg 11L(1)); plan, manage and monitor its work, and that of the workers under its control, so that it complies with all relevant requirements, and cooperate with the client, designers and contractors to that end (reg 11J(1) and (3)); ensure its work complies and give its workers appropriate supervision, instructions and information for that (reg 11L(2)); take all reasonable steps to give the client, other contractors and designers enough information about its work to help them comply (reg 11L(3)); and, as it carries out only part of the project, consider the work that directly relates to its own and report any concern about compliance to the principal contractor (reg 11L(4)). Wales has its own dutyholder rules — check them for work there.

11 INSURANCE

- 11.1** Until it has finished all its work under this contract, including putting right defects, the subcontractor keeps: (a) employers' liability insurance where it has employees — every employer carrying on business in Great Britain must insure against liability for bodily injury or disease its employees sustain arising out of and in the course of their employment (Employers' Liability (Compulsory Insurance) Act 1969 s.1(1)), for at least £5 million for any one occurrence (Employers' Liability (Compulsory Insurance) Regulations 1998 reg 3(1)) — or the higher limit in section 7; (b) public liability insurance to at least the limit in section 7 for any one occurrence; and (c) professional indemnity insurance where section 7 requires it.
- 11.2** The works and materials on site are insured as ticked in section 7.
- 11.3** The subcontractor gives the contractor evidence of each policy before starting on site and at each renewal (the contractor records it on KD-SITE-CC-010 and KD-SUB-IE-004), and tells the contractor at once if a policy is cancelled or not renewed. Without that evidence the contractor may keep the subcontractor off site until it is given, with no extension or extra payment.
- 11.4** Insurance does not limit either party's liability under this contract.

12 THE SUBCONTRACTOR'S PEOPLE, EMPLOYMENT STATUS AND RIGHT TO WORK

- 12.1** The subcontractor provides enough competent people to keep to the programme, and a named supervisor who is on site whenever its work is in progress. The contractor may reasonably require the subcontractor to remove from site anyone who breaks the site rules.
- 12.2** The subcontractor does not subcontract any part of the works without the contractor's written consent, which is not to be unreasonably withheld. It remains responsible for any work it subcontracts, and gives its own subcontractors health and safety conditions at least as strict as KD-SUB-HS-002.
- 12.3** The subcontractor is engaged as an independent business and is responsible for paying its own workers and for their tax, National Insurance, holiday pay and pensions.
- 12.4** **EMPLOYMENT STATUS.** Calling a person "self-employed" or a "subcontractor" in this contract does not decide their employment status. HMRC says employment status is decided under the common law, that the contractor considers it for every individual when they are first engaged, and that it is the terms of the particular engagement that matter — having worked as self-employed before is irrelevant (HMRC CIS 340 para 1.8); each monthly CIS return declares that the employment status of all subcontractors has been considered (para 1.6). CIS applies only where the work is not done under a contract of employment. HMRC's Check Employment Status for Tax (CEST) tool gives HMRC's view on the information entered, and HMRC stands by the result as long as that information is accurate and in line with its guidance. Employment rights are a separate question: an individual who agrees to do work personally for another party that is not their client or customer is a "worker" for the employment rights that Act gives workers, whatever their tax position (Employment Rights Act 1996 s.230(3)(b)). Take advice where the answer is unclear.
- 12.5** **RIGHT TO WORK.** The subcontractor does not let anyone work on the works who is not allowed to do that work in the UK. Before any individual it engages starts work — including anyone sent as a substitute — it carries out the checks set by the Immigration (Restrictions on Employment) Order 2007 and keeps the records those checks require, and it tells the contractor at once if anyone's right to do the work ends or is in doubt. Where the subcontractor is an individual doing the work personally, it gives the contractor what the contractor needs to check the subcontractor's own right to work before starting.
- 12.6** From 1 October 2026 the civil penalty for illegal working in s.15 of the Immigration, Asylum and Nationality Act 2006 also applies, under amendments made by s.48 of the Border Security, Asylum and Immigration Act 2025, to a business that engages an individual subcontractor; and a business contracted to provide work that it passes down a chain of contracts is treated as employing any individual who personally provides the work, even with no contract with them and without knowing they are doing it. The contractor is therefore at risk for everyone working under this subcontract.
- 12.7** From 1 October 2026, where the subcontractor engages individuals, the contractor is excused from a civil penalty for them only if, before each individual or substitute starts, it has produced a written statement requiring the terms below in its contract with the subcontractor — this term is that statement — and, for as long as the individual works, the contractor keeps systems that make sure the person working is the person checked (Immigration (Restrictions on Employment) Order 2007 art 5B, as it reads from that date; term 12.8 supports those systems). So, where the subcontractor engages an individual to do the work or any part of it, the subcontractor: (a) meets the requirements for excusal from a civil penalty for that individual, and for any substitute, before they start; (b) does not contract with anyone else to arrange for the work to be done by an individual unless the contractor has consented in writing and that other person meets those requirements for the individual; (c) lets the contractor audit its compliance with (a) and (b) whenever the contractor asks; (d) includes in its contract with each individual provisions to prevent illegal working — such as suspending or ending that contract — for use where it knows or has reasonable cause to believe the individual is working illegally; and (e) cooperates with any Home Office investigation by giving the Secretary of State the information asked for about the chain of contracts: its make-up and the purpose of each contract, and for each party other than the individual its official name, legal form, registered address (or principal place of business), any company registration number and, if it is a partnership, the type of partnership; and any other information the Secretary of State considers is, or may be, relevant to the investigation.
- 12.8** The subcontractor gives the contractor, before they start, the name of every individual it will send to site, and uses the site induction and sign-in, so that the contractor can check that the person working is the person checked. If the subcontractor employs anyone contrary to s.15 of the Immigration, Asylum and Nationality Act 2006 and is not excused from the penalty, the contractor may suspend the subcontractor's work or end this contract under term 14.1, and the subcontractor pays the loss this causes the contractor. Take advice on which checks apply to your arrangement.

13 LIABILITY

- 13.1** Each party is liable to the other for loss caused by its breach of this contract or its negligence, subject to this term.
- 13.2** The subcontractor indemnifies the contractor against claims by others for death, personal injury or damage to property, to the extent caused by the negligence or breach of this contract of the subcontractor, its people or its subcontractors. The contractor indemnifies the subcontractor in the same way to the extent caused by the contractor, its people or its other subcontractors.
- 13.3** Except as term 13.4 says, each party's total liability to the other under or in connection with this contract is limited to the cap in section 7, if one is stated.
- 13.4** The cap never applies to: (a) death or personal injury caused by negligence — liability for it cannot be excluded or restricted by any contract term (Unfair Contract Terms Act 1977 s.2(1)); (b) fraud or deliberate default; (c) sums payable for work done and variations under terms 4 and 5; (d) the indemnities in term

13.2.

- 13.5** Between businesses, a term that limits liability for negligence causing other loss — or, where one party contracts on the other's written standard terms of business, liability for breach of contract — is valid only so far as it was fair and reasonable to include it, given the circumstances the parties knew of, or ought reasonably to have known of, when they made the contract; the party relying on the term has to show that (Unfair Contract Terms Act 1977 ss.2(2), 3 and 11(1) and (5)). For a cap of a fixed sum, the court looks at the resources the party could expect to have to meet the liability and how far it could insure (s.11(4)). Set the cap with that in mind, and take advice on a large package.
- 13.6** The terms the law implies into a business contract for work and materials — for example that services are carried out with reasonable care and skill, and that goods supplied are of satisfactory quality (Supply of Goods and Services Act 1982 ss.4 and 13) — apply alongside these terms except where these terms validly say otherwise.

14 ENDING THIS CONTRACT

- 14.1** The contractor may end this contract by written notice if the subcontractor: (a) becomes insolvent — enters administration, has a receiver or administrative receiver appointed, passes a resolution or has an order made for its winding up, has a bankruptcy order made against it, makes a voluntary or other arrangement with its creditors, or anything equivalent happens under the law of another country — and the notice may then be given at once; or (b) without good reason stops or abandons the works (other than a suspension under term 5.10), fails to proceed regularly and diligently, persistently fails to put right work rejected under term 8, fails to comply with term 10, term 12.5, term 12.7 or KD-SUB-HS-002, or subcontracts without consent — and has not put the default right within seven days of a written notice stating it. If the subcontractor repeats the same default within three months after that notice, the contractor may end this contract by a further written notice without waiting seven days.
- 14.2** Subject to term 14.3, the subcontractor may end this contract by written notice if: (a) the contractor is an individual and has a bankruptcy order made against them or makes an arrangement with their creditors, or is a partnership that is wound up (take advice first — term 14.3); (b) the contractor has not paid a sum by its final date for payment and still has not paid it seven days after a written notice stating the default; or (c) the contractor stops the whole or nearly the whole of the works for longer than the number of weeks written below, for a reason other than the subcontractor's default. The right to end is in addition to the right to suspend under term 5.10.

WEEKS OF STOPPAGE THAT ALLOW THE SUBCONTRACTOR TO END (TERM 14.2(C))

- 14.3** IF THE CONTRACTOR IS IN A FORMAL INSOLVENCY PROCEDURE. Where the contractor is a company or a limited liability partnership (LLP) and a moratorium, administration, administrative receivership, company voluntary arrangement, liquidation or provisional liquidation starts, or, for a company, a court orders a meeting about a compromise or arrangement — or where the contractor is a partnership that enters a partnership voluntary arrangement — insolvency law (Insolvency Act 1986 s.233B, which the Limited Liability Partnerships Regulations 2001 extend to an LLP; for a partnership voluntary arrangement, as applied by the Insolvent Partnerships Order 1994 art 4(3)(a)) stops any term of this contract that would let the subcontractor end it, or do any other thing, because of that procedure. For an LLP, whether a court-ordered meeting about a compromise or arrangement counts is not settled — take advice. A right to end this contract for something that happened before the procedure started — for example non-payment under term 14.2(b) or a stoppage under term 14.2(c) — cannot be used during the insolvency period. The subcontractor may not make carrying on with the work conditional on being paid what was owed for work before the procedure started. What the subcontractor can still do: ask the administrator, administrative receiver, liquidator or provisional liquidator — or, for a moratorium, a voluntary arrangement or a court-ordered meeting, the company or LLP (for a partnership voluntary arrangement, the partnership) — to consent to it ending this contract; or ask the court for permission to end it on the ground that carrying on would cause it hardship. Take advice straight away, before suspending or stopping work for money owed from before the procedure, and before ending this contract. If the contractor is a partnership that enters administration or is being wound up, take advice before suspending, stopping work or ending this contract — the same rules may apply.
- 14.4** If the contractor's main contract for the project ends for a reason other than the contractor's own default or insolvency, and other than the contractor choosing to end it without cause, the contractor may end this contract by written notice, and term 14.7 applies without the subcontractor's direct loss. Where the main contract ends because of the contractor's default or insolvency, or because the contractor chose to end it, a notice from the contractor ending this contract is treated as an ending by the subcontractor under term 14.2, and term 14.7 applies with the subcontractor's direct loss.
- 14.5** When this contract ends the subcontractor makes its work areas safe, leaves site, removes its plant (but not materials that are the contractor's under term 7.2), and hands over its RAMS, inspection and test records, product information and any design information for the work done. A sum that fell due before the notice to end is still paid under term 5.
- 14.6** Where the contractor ends this contract under term 14.1, the balance becomes due on the earlier of 28 days after the works are completed by others and six months after the notice to end. Not later than five days after that due date the contractor gives the subcontractor a payment notice setting out its account: the value of the work properly done and the materials that became the contractor's, less the amounts paid, less the reasonable extra cost of completing the works and the contractor's direct loss caused by the default. The final date for payment is the number of days after the due date stated in section 6, and terms 5.4 to 5.10 apply. If the account shows money owed to the contractor, the subcontractor pays it by that final date.
- 14.7** Where the subcontractor ends this contract under term 14.2, or the contractor ends it under term 14.4, the contractor pays: the value of the work properly done and the materials that became the contractor's, less the amounts paid; the reasonable cost of removing from site; the cost of materials properly ordered for the works that the subcontractor must pay for (which then become the contractor's); and the subcontractor's direct loss caused by the ending, including its lost profit on the work not done, where the subcontractor ends this contract under term 14.2 (for example for non-payment) or term 14.4 treats the ending as one under term 14.2. Where the contractor ends this contract under the first sentence of term 14.4, no direct loss is payable. The subcontractor sends its account within 28 days after leaving site. The balance becomes due 14 days after the contractor receives it; the final date for payment is the number of days after that due date stated in section 6; and terms 5.3 to 5.10 apply to it.

15 DISPUTES

- 15.1** Either party may refer a dispute or difference arising under this contract to adjudication at any time (HGCRA 1996 s.108).
- 15.2** The adjudication provisions in Part I of the Schedule to the Scheme for Construction Contracts (England and Wales) Regulations 1998, as in force when the notice of adjudication is given, apply as terms of this contract. The adjudicator is the person named in section 7 if willing and able to act; otherwise a person nominated on request by the nominating body in section 7; and if neither is stated or able to act, a person nominated by any adjudicator nominating body.
- 15.3** The adjudicator's decision binds the parties, and they comply with it, until the dispute is finally decided by the courts or by agreement (HGCRA 1996 s.108(3)). The parties may agree to accept a decision as final.
- 15.4** Before referring a dispute, either party may — but need not — ask for a meeting of a director or senior person from each side within seven days to try to settle it. The request never delays or prevents a referral to adjudication.
- 15.5** The courts of England and Wales decide any dispute not finally settled by adjudication or agreement.

SUBCONTRACT AGREEMENT

continued

CONTRACT — EACH PARTY KEEPS A SIGNED COPY

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16 GENERAL

- 16.1** This contract — Part A, these terms and the documents ticked in section 8 — is the whole agreement about the works and replaces earlier quotations, letters and discussions about them, except as section 8 lists.
- 16.2** This contract can be changed only in writing signed for both parties. An instruction under term 4 is not a change to the contract.
- 16.3** Neither party may pass its obligations under this contract to anyone else without the other's written consent.
- 16.4** Only the contractor and the subcontractor may enforce this contract. The parties do not intend any term of it to be enforceable by anyone else under the Contracts (Rights of Third Parties) Act 1999, even a person a term benefits (s.1(2) of that Act). This does not affect any warranty or third-party rights the subcontractor agrees to give under section 7.
- 16.5** If a court or an adjudicator decides that any part of this contract is invalid, the rest of it still applies.
- 16.6** This contract is governed by the law of England and Wales. Written for England and Wales: in Scotland and Northern Ireland different construction payment rules apply, and in Scotland contract law differs — take advice before using it there.

R REVISION HISTORY

Every revision of this document, and every review that found nothing to change. The revision on the front of this sheet is the one you are holding — check kubitdocs.com for the current one before use.

Rev	Date	Class	What changed	Authorised by
D0	2026-09-13	first-issue	First issue.	— not yet approved —
A0	2026-09-13	review	Approved for issue by the author. Content unchanged from the reviewed draft; the draft status strip is removed. No independent third-party review has been carried out.	Author — director, UK principal contractor, SMSTS. Not an independent review.

Class: first-issue (the law, a control, a field or the scope changed — past buyers are notified) · editorial (wording or layout only) · review (checked, nothing changed) · withdrawal. Revision prefix D = draft, not approved and not for sale; A = approved for issue by the person named, on the date shown.