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New Reporting Requirements From April 2015

HMRC has a new set of rules that come in to effect on 6th April 2015 where recruitment companies are required to report a wide array of information on any worker they supply to an end user.

These new reporting requirements will have a number of impacts on contractors:

1. As the requirements also have potential liabilities for recruitment companies where the workers they supply use either offshore arrangements or non compliant payment intermediaries contractors are likely to find that many recruitment companies will only allow their contractors, or those that do not operate through their own limited company, to operate through a predetermined number of providers. This could mean that in the next 2 months contractors are required to change their provider to one on the agency preferred supplier listings.

2. These new reporting requirements will bring transparency to a contractors financial affairs as the recruitment company has to report how long the contractor has been on a particular assignment as well as how much money has been paid, as well as how they operate - own limited company or payment intermediary.

Where a contractor operates through their own limited company all the company details, including VAT registration number will be reported.

As a result HMRC will be able to cross check the reports against the various returns made by those operating through their own limited companies including submitted accounts, VAT returns as well as allowing a risk profiling of the arrangements against IR35.

Contractors working through payment intermediaries, such as umbrella providers, will have the full details of the provider released to HMRC. Where that provider is known to HMRC to operate in a way that they feel is not compliant the worker could face tax demands directly from HMRC.

3. Recruitment companies will be asking contractors for more personal information, such as NI numbers, as these are part of the new reporting requirements.

Which Operating Structure?

Read our Beginners Guide

- Agency PAYE
- Umbrella
- Limited Company

A comprehensive guide to help you understand your options.

Confused; need some help -

Contact the Professional Passport Members Helpline for unbiased advice and support

This additional information can also be used by HMRC to check the RTI payments disclosed and matched to the reported payments to assess individual enquiries they may open.

The result of all of this for contractors is that it is now essential that your affairs are in order to prevent the risk of unexpected tax bills and investigations.

If you operate through a payment intermediary you should ensure they have some external verification of compliance, such as Professional Passport accreditation.

There are many providers that appear to offer higher returns to contractors and in many of these cases HMRC would not consider their processes as compliant. In some cases this would allow HMRC to issue a tax demand directly to the contractor.

It must be remembered that all providers have to work to the same rules and therefore if one is making claims of significantly higher returns it is more than likely an indication that they are not applying the rules as HMRC intended.

We are also seeing a number of providers that offer contractors simple to claim expenses, or in some cases automated expense claims. Whilst this can be attractive to the contractor it could also leave the contractor exposed to future tax liabilities.

Where the contractor operates through their own limited company you should verify your IR35 status with a

professional assignment review; Professional Passport offers this service to contractors.

The increased transparency together with an increased focus on the market is likely to result in more enquiries being opened and challenges being made.

If you are concerned or have questions you can upgrade to professional membership and call our helpline. We provide impartial advice as we do not offer any of the services directly.

Umbrella Expenses

HMRC recently published a discussion paper looking at the travel and subsistence claims made by workers using umbrella companies and whether this should continue.

Responses have been submitted and those that we have seen, including our own, have advised against any move to stop travel and subsistence expenses to umbrella workers.

One of the reasons the issue has surfaced is the amount of non compliant providers offering services to lower paid workers who, in many cases, do not meet all the tests for the expenses to be allowed.

The Government plans to release its conclusions around the time of the budget and we will keep contractors informed of any changes that may result.