

**Employment**

# **Intermediaries**

**Reporting Requirements**

**How It  
Impacts You!**



**LIQUID FRIDAY<sup>®</sup>**

**03**

- **What's All The  
Fuss About**

**04**

- **How This  
Impacts You**

**05**

- **What Needs  
To Be Included**

**06**

- **Sending  
Your Reports**

**07**

- **Deadlines**

**08**

- **Record  
Keeping**

## What's All The Fuss About?

As working trends evolve to meet the changing economy and requirements for more flexible forms of employment, the use of intermediaries has increased as more people turn to new ways to find work and generate income.

As a result, an increasing number of businesses in the UK are now turning to these intermediaries on a regular basis to help fill gaps in their workforce at short notice with skilled temporary staff.

This has led to the unscrupulous few trying to get around their legal employment rights and obligations, attempting to avoid paying the correct amount of tax by either:

**A) Helping to create false self-employment**

**B) Supplying UK workers from an offshore entity**

## Where Have We Ended Up?

The Onshore Intermediaries legislation, introduced in April 2014, was created to help HMRC to combat serial tax avoidance and particularly those avoiding income tax and NIC payments.


Reporting Requirements for the legislation will now come into effect on 6th April 2015.


The net effect is significant, particularly on those intermediaries who supply short term workers. Regardless of whether those workers are self-employed, a partner (e.g. of an LLP), an employee of an umbrella company or a director of their own private limited company, the burden of reporting the relevant information to HMRC needs to be taken on by the intermediary – i.e. you.

## What Is An Employment Intermediary?

An intermediary, for the purposes of submitting reports, is any business entity tha

 **Is an agency**

 **provides the worker's services in the UK, or the workers are resident in the UK**

 **Provides the services of more than one worker to a client (as a result of a contract)**

 **Has a contract with a client**

# What will Employment Intermediaries Reporting achieve?

The aim of this legislation is to help HMRC eradicate false self-employment and minimise the abuse of offshore working, with a view to being able to:

**1) Help support those intermediaries that comply**

**2) Penalise those that don't comply**

**3) Ensure the correct tax and National Insurance contributions are paid by those**

**4) Reduce unfair competitive advantage gain by those not complying**

## How This Impacts You

Certain intermediaries will now be required to provide HMRC with information on the workers they supply, and the payments being made to these workers where they didn't operate Pay-As-You-Earn (PAYE).

As a recruitment agency who provides staff for the hiring company, it becomes your responsibility to provide quarterly information to HMRC on all gross payments you make. You will also become liable for any underpaid tax and National Insurance for all self-employed temporary workers in your supply chain, regardless of which intermediary or service-provider pays them.

This means that from 6th April you will need to supply HMRC with a report that contains information every 3 months for each worker you supply, whether you have sourced them directly, or through a third party.

## Personal Service Companies

PSC's that only supply a client with one worker will not need to send their own report, but will need to provide the relevant information to the intermediary (agency), if there is one. If however the PSC supplies more than one worker, including any sub-contractors, then they will fall under the description of an intermediary, and will need to submit their own report to HMRC.

# What Needs To Be Included

Here's a summary of what needs to be included on each report you submit to HMRC:

## Reporting Information – Intermediary details



**Name**



**Postcode**



**Address**



**UTR Number  
(If applicable)**

## Reporting Information – Worker details



**Full name, Address  
& Postcode**



**National Insurance Number**



**Date of Birth & Gender  
(if they don't have an NI number)**

## Reporting Information – Worker details

The 'Engagement Details' refers to the reason why PAYE was not operated for these payments, with one of the following options required:

**A)**

**Self Employed**

**B)**

**Partnership**

**C)**

**Limited Liability  
Partnership (LLP)**

**D)**

**Limited Company**

**E)**

**Non UK  
Engagement**

**F)**

**Another party  
operated PAYE on the  
workers payments**

\* If more than one option applies to a worker on this list, you need to use the first option.



**UTR Number  
(where above is A,  
B or C)**



**Start & End Date  
of Engagement**

If 'Engagement Details' where the intermediary didn't operate PAYE is 'A', 'B', 'C', 'D' or 'E' you must also include:

- 1) The total amount paid for services**
- 2) Whether VAT has been charged on the payment**
- 3) The Currency of the payment made**
- 4) Full name and address of the Entity paid for the services**
- 5) Company registration number of the entity**

## Sending Your Reports

All reports need to follow HMRC specifications. Thankfully, there are a number of freely available templates you can download from the HMRC website:

<https://www.gov.uk/government/publications/employment-intermediaries-reporttemplate>

You can upload up to 13 reports at any time, although each must include:

- Q Be an ODS or CSV file**
- Q Only contain 1 sheet**
- Q Employment intermediary information and at least 1 record of worker information**
- Q Not be password protected**
- Q Have a name that is 255 characters or less**
- Q Be smaller than 20MB - you can split reports into many files and upload them**



# Deadlines

Reporting Period	Deadline Date	Date You Can Replace a Report by*
6th April to 5th July	5th August	5th November
6th July to 5th October	5th November	5th February
6th October to 5th January	5th February	5th May
6th January to 5th April	5th May	5th August

\*Reports can be replaced after they have been sent, but must be submitted before the deadline of the next reporting period's deadline.

# Penalties And Risks

If the report is late, incomplete or incorrect you could face an automatic penalty from HMRC. The fine will be based on the number of offences in a twelve month period:



If twelve months pass between offences, you will only be charged £250 for the first offence in the new period.

Where there is continued failure to send reports, or consistently send reports late, you may receive a penalty every day that you don't send one.

Manual penalties may apply to incorrect or incomplete reports, but will be issued.

## Record Keeping

In the future, it will also be your responsibility to keep any records, information and documents to prove that you have sent to HMRC was correct.

It is down to you to make sure HMRC are satisfied that you didn't have to operate PAYE on workers' payments. Work with your existing workforce, any other intermediaries involved in supplying the workers, and your clients, to obtain suitable evidence.

Any records you create and submit must also be kept for at least 3 years after the end of the tax year they relate to.

## Working With The Reporting Requirements

Through this reporting, HMRC will obtain complete transparency when it comes to the different practices in operation in the recruitment sector, both compliant and otherwise. Hopefully this will make things difficult for those avoidance models and schemes set up to disguise temporary employment, or exploit lower paid workers.

With the emphasis placed on the intermediaries to supply the correct information to HMRC on all of their temporary workers, it's paramount that you tighten your own processes to ensure all information you collect is robust and accurate.

To help ensure this, we encourage all agencies to adopt a stringent preferred supplier list (PSL) of UK onshore, compliant service providers, championed by the FCSA, to help minimise risk to your agency

## How We Are Working With Agencies

We are currently working closely with all of our clients to ensure they fully understand the impact of the Onshore Intermediaries legislation, and how the new reporting requirements will impact them.

Internally, we are ensuring that an effective process is in place to ensure the information our clients require is freely accessible.

As members of the eminent industry association, the Freelancer and Contractor Services Association (FCSA), we are pushing for relaxed/basic reporting for PSC's. This is a B2B transaction between the agency and the PSC, with existing legislation already ensuring the legitimacy of this relationship.

In our view, reporting should be scrapped for Umbrella Companies as PAYE is already being reported via HMRC's real time information (RTI) platform, so we are unsure as to why this needs to be duplicate



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