



NumberMill

# Accounting, Refined

Louise Rayner presents to RI - re T&S solutions, SDC Tests, PSC's IR35 & Public Sector

21 March 2016

CHARTERGATES

SPECIALISTS IN TAX, VAT & EMPLOYMENT LAW





## Who are NumberMill Consulting?



- QUALIFIED PRACTICING
- COMPLIANCE CONSULTANTS
  - Practical
  - Honest
  - Transparent
  - Clear on risk
  - Recruitment experts

- TAX SPECIALISTS FOR CONTRACTORS
  - IPSE IR35 Trained
- BACK OFFICE SERVICES
  - Interim FD services
  - Pay/Bill/GP/Ma's
  - Treasury/Banking
  - Payroll - Bureau
    - Umbrella
    - Acctcy Serv

Established by Louise Rayner  
FCCA, MBA - 2000 + Contractors

- EX CFO Adecco responsible for 40,000 contractors Travel & Subsistence – Commercial Director Randstad
- RSM Tenon Head of Outsourcing
- EX MD of a large umbrella
- MBA Thesis “Developing commercial pricing in MSPs”



## 2 Pieces of NOW LIVE Legislation - Finance Act

### **S339 Finance Act 2015 Salary Sacrifice**

**- AMAPS (Authorised Mileage Allowance Payments) is outside of Salary Sacrifice rules (ITEPA 2003)**

**3.20 Employment intermediaries and tax relief for travel and subsistence** – As confirmed at Summer Budget 2015, the government will *legislate to restrict tax relief for travel and subsistence expenses for workers engaged through an employment intermediary, such as an umbrella company or a personal service company*, where there is **a right of SDC Supervision Direction & Control**

**PSC's out of scope if not caught by IR35 – careful of MSC**



# IR35 Public Sector Consultation Summer 2016

For potential implementation April 2017

- **Responsibility for operating the rules moves from the individual worker's personal service company to:**
  - public sector body,
  - agency,
  - third party**paying the worker's company.**
- **The rules will remain unchanged when individuals are working in the private sector.**
- **Consultation on a clearer and simpler process and online tool.**

**Worker doesn't have to be an employee – Flawed concept ?**

**Just affects how taxes are collected – PSC IR35 caught with RTI maybe the solution ?**



## 5 April 2016 TRENDS – WHAT IS HAPPENING IN THE MARKET

- **Compliant umbrellas have switched off expenses in many cases**
  - **Mileage only claims – Multisite one end client**
  - **Year end P87 claims**
  - **SDC declarations**
- **Workers are feeling the pain and reduced take home – Many cases with acceptance**
- **Agencies reviewing their uplift policies**
- **Agencies putting workers back on PAYE – but REGRETTING IT ! As they feel the margin dilution**
- **Agencies trying to get end – hirers to pay the difference – MOST FAILING!**
- **Alternative solutions being looked for – compliant providers survive**
  - **Some good solutions – PSC solutions and Contract For Services**
  - **Some too aggressive - Unlevel playing field**



## HMRC comment on aggressive solutions

- NO CHANGE – some providers have said there is no change – what a joke! Be very wary
- “No Personal Service” argument – HMRC have rejected this
- SDC Declarations – *“waivers and declarations are not considered to be satisfactory evidence” Wider evidence is required, fraudulent documentation will move liability to the agency*

- Indemnities meaningless and no defence



## FCSA Listed - Compliant Solutions in the market

- ▶ No or limited expenses
- ▶ Fixed salary + fixed expenses – NO SDC not very practical
- ▶ AMAPs only, P87 year end claim for refund
- ▶ Self employment CFS with taxes paid
- ▶ PSC - accountancy business
- ▶ PSC – Salary only - this could work for public sector!



# SOLUTIONS

NumberMill

- 1) SDC Contracts
  - Requires full review throughout contractual chain – Difficult
  
- 2) Multi site one end client Contracts and Practices
  - Carefully written contracts in chain – One engagement , multiple work sites
  - Worker Declarations/Agency Declaration
  - Worker sign up process
  - Expense portal and guidelines - Mileage only, Year end other expenses P87
  - Audits
  
- 3) PSCs
  - IR35
  - Genuine Accountants
  - MSC Legislation





## NMILL SOLUTIONS

Umbrella	Expenses	Multisite/SDC	Employed	£5, £15, £25
Umbrella Uplift	No Expenses		Employed	£ 9.99
CFS	Expenses	Mutisite/SDC	Self Employed	8% Capped £25
CFS Uplift	No Expenses		Self Employed	£7.99
Limited	Expenses	IR35/MSC	Self Employed	£95 plus Vat /mth
Limited Lite	Expenses	IR35/MSC	Self Employed	£25/week plus VAT



## HI RISK Models

- Multiple Directors in a PSC - TAAR 6/4/2016 - VAT Group Risks, MSC Risk

- Fixed Expense Umbrella –

It should be noted that this particular model has been ‘created’ due to HMRC’s redefinition of ‘salary sacrifice arrangements’ (discussed in our last newsletter). This is not the same legislation as the travel and subsistence proposal (s339A). Therefore if there is SDC (or the right) and it is not a multi-site end client then t & s cannot be paid regardless of whether the expenses are fixed or not. POOR OPERATION BY PROVIDERS AND SOFTWARE THAT ALLOWS SALARY SACRIFICE – so falls foul

- Offshore



## How to minimize risk but preserve margin?

Approved Supplier List – **ACCA/ACA EW practicing certificate & 51% voting rights on technical matters**

- IR35 Qualified IPSE
- Director background checks
- Pheonix companies
- Retainer with agency specialist lawyers
- Top 4 sign off
- Recorded calls
- Contract Reviews
- Scripts
- Portals

***Beware of meaningless Indemnities***

Approved Models – Independent review

Audit – Paper work review  
Mystery Shopping  
OIL (Onshore Intermediaries Legislation)

Systems mandated controls;  
Approved suppliers only on drop down lists  
IR35 declarations  
Chartered Accountants membership number

