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Update on Finance Bill 2014

Key Points

The legislation came into force on April 6th 2014. It requires all contractors, where supplied by an agency, to be subject to PAYE and NI deductions unless they can pass the “Direction / Supervision / Control test” (DCS). Where PAYE and NI deducted (umbrella route) then the legislation does not apply. The legislation allows for continued Self Employment (CIS) where conditions are met and clarifies this via 19 pages of guidance, including scenarios where in the opinion of the HMRC, contractors should be subject to PAYE or could be Self Employed. Where the contractor is engaged on a self-employed basis then it is important that the agency is able to show that they are not subject to DCS, including having appropriate Terms of Business in place between the agency and the end hirer.

Clearly HMRC would like all agency supplied contractors to be subject to PAYE as this gives the greatest take intake, however they accept that there are scenarios where self-employment is appropriate and can continue. As a rule of thumb we feel it is more likely the lack of DCS will exist as the contractor becomes more skilled, however there will also be roles involving relatively low skilled contractors where this test can be met, it ultimately comes down to the reality of the site arrangements and contracts in place.

Pier Consulting have always held compliance and customer service at the forefront of our operating processes and continue to do so. Our advice is therefore consistent and simple.

If the contractor is subject to DCS then they will be engaged on a PAYE basis, our chosen umbrella company does this and in many scenarios offers the contractor an increased or similar Net pay position to self-employment. If the contractor is not subject to DCS then depending on the outcome of their Control questionnaire they can be engaged via a self-employed arrangement, ensuring that the contracts and associated paperwork are in place to support this.

As contracts, as well as reality on the ground are both important we always ensure that the paper trail is perfect, we have introduced a contractor ‘questionnaire’ for any new potentially CIS operative which is helping determine whether they can be engaged on a self-employed basis in this new world.