

VAT: Withdrawal of the Staff Hire Concession

The current concessionary arrangements in respect of supplies of temporary workers by employment businesses will be withdrawn with effect from 1 April 2009. Currently such businesses are allowed to exclude the wages element from the supplies they make, and to account for VAT solely on their margin.

Who will be affected? Employment bureaux who use the existing concessionary arrangements and any of their customers who are not able to fully recover the VAT charged to them e.g. finance sector, health and care sector, education sector, charities and some parts of the public sector.

(For details on the full document see <http://www.hmrc.gov.uk/budget2008/tn-withdrawal-staff-hire.htm>)

What this means:

After April 2009, VAT will have to be applied to the total invoice value generated by an employment business who deal with temporary staffing requirements for government departments/sector (e.g. NHS, Schools, and Primary Care Trusts). No longer can VAT just be applied to the employment businesses 'fee element' only.

This move is set to generate HMRC an additional £17 million in VAT. The downside, as ever, is that these particular government departments/sectors do not have the ability to reclaim VAT and this in turn will obviously eat into their already over-stretched budgets. Thus inevitably, reducing the number of temporary staff that they can take-on! Margins will of course be hit from all sides...

Who can Help?

RACS are currently piloting a unique approach to assist with this financial dilemma for employment businesses and government bodies alike. At present, individuals who run their own limited company via RACS PSC have the ability to invoice without VAT (if they are under the VAT threshold or Exempt Status). This class of invoicing through our third party invoicing partner has proven to ensure the status quo regarding VAT supplies. Therefore, as an employment business you can still retain the ability to **ONLY** apply VAT to the charged out fee element.

Individuals would need to set-up their own limited company and be in business on their own account to ensure compliance in this area. RACS can help all professions to do this and in doing so, we will introduce our specialist providers/advisers to assist at all times. The key to success here - is 'whom' invoices 'whom' and for 'what' supplies?

To find out more please feel free to contact us on the numbers below for a more detailed discussion on how it works...

RACS offers the following MSC compliant services through our third party professional partners:

- | | |
|---|--|
| ✓ Full limited company formation | ✓ VAT returns and registration |
| ✓ Payroll | ✓ Company secretarial duties |
| ✓ Company and simple personal tax returns | ✓ Companies House returns |
| ✓ Annual accounts / year end | ✓ Invoicing services to your employment business |
| ✓ Routine tax queries and administration | ✓ Payments to HMRC (TAX, NIC) |
| ✓ Processing of expenses | ✓ Day-to-day assistance with your PSC |
| ✓ IR35 contract reviews and advice though PCG | ✓ Corporation tax returns |



Tel 0845 604 0571

Fax 0845 604 0573

Email info@racsgroup.com

Web www.racsgroup.com

