



Tax relief for travel expenses: temporary workers and overarching contracts

This consultation document seeks to expand and test the Government’s analysis of those structures using overarching employment contracts –**umbrella** companies and **employment agencies**- in terms of the size of the sector, their role within the wider labour market and the extent of the problems arising from the use of these structures.

Umbrella companies and some employment agencies make use of overarching employment contracts which enable some temporary workers to **gain tax relief for travel expenses** not available to others working in similar circumstances. There is also evidence of **widespread abuse** of the travel expenses rules by these structures. Non-compliance and the use of these structures to pay less income tax and national insurance contributions (NICs) lead to a loss to the Exchequer, as well as further problems.

(For details on the full consultation document see http://www.hm-treasury.gov.uk/media/F/2/travelexpenses_210708.pdf)

What this means:

- ☐ In short HM Treasury wants travel expenses gone! If this happens...
- ☐ HM Treasury will almost certainly look at other areas of expense claims – including dispensations and round sum allowances. No longer will a contractor be allowed to claim for Breakfast, Lunch or an Evening Meal.
- ☐ Umbrella Companies will no longer create a financial advantage for a contractor – **WHY?**
 - ☐ Off-setting expenses against personal tax liabilities make these products work, it’s that simple! Without expenses they are simply a PAYE product and one which employment agencies must provide **FREE** of charge!
 - ☐ No more NIC savings for employment agencies – by the very nature of PAYE, employers NICs will have to be paid by the employer (the employment business)!
 - ☐ Contractors will no longer want to pay an administration cost or fee to an umbrella company to process their payroll and as a result, gain no financial saving over PAYE – in most cases they will actually **LOSE** money!
- ☐ Umbrella Companies will probably struggle to remain in business!

What will be the remaining Options?

- ☐ A standard PAYE product run by the employment agency or payroll bureau
- ☐ Contractors will turn to running their own Limited Company (this option is unaffected by this proposed legislation)

Who can Help?

- ☐ Individual professional accountancy firms
- ☐ **RACS....**

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

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| ✓ 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 |



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