



# WARNING TO DIRECTORS

RACS Group continues to witness high risk operational strategies by recruitment agencies, despite the relentless attempts by HM Revenue & Customs to highlight the consequences of non-compliant practices.

Some Directors put themselves and their agencies' fiscal futures at huge risk by not conforming to legislation and continuing to use non-compliant intermediaries; ignorance is no excuse and the ultimate responsibility for the following issues remains with Directors:



## 1. BREACH OF NATIONAL MINIMUM WAGE (NMW)

**Offence** Not paying contractors the legal NMW rate of £6.50 per hour even after all third-party deductions. Minimum umbrella charge out rate should not fall below £8.80 per hour.

**Penalty** New increased fines of up to £20,000 per person announced in February 2014.



## 2. MSC (Managed Service Companies)

**Offence** Placing contractors under the MSC model so they can claim salary and dividends, when caught by IR35.

**Penalty** Fines calculated by combining the fraudulent tax benefits, interest and penalties per PSC.



## 3. PENSIONS ACT & AUTO-ENROLMENT

**Offence** Not staging in time, not joining contractors correctly or encouraging to them to opt-out.

**Penalty** Fines charged at £5000 per person affected.



## 4. AGENCY WORKERS REGULATIONS (AWR)

**Offence** Not paying comparator rates or 'pay between assignments' under Swedish Derogation (Reg 10) model.

**Penalty** Up to £50,000 per case.



## 5. RIGHT TO WORK IN THE UK

**Offence** Causing loss of trade by employing temporary workers without visas or the right to work in the UK.

**Penalty** Potentially thousands of pounds in fines and even imprisonment.



*Getting it wrong is no excuse,  
if you are in any doubt...*



## COMPLIANCE REVIEW

To avoid any risk of debt transfer of personal liability, please contact Adam Jordan on 0845 604 0571 or [adam.jordan@racsgroup.com](mailto:adam.jordan@racsgroup.com) to arrange a free compliance consultation.