

IR35

11/01/2018

OBLIGATIONS AND PROCESS FOR PAYMENT

What is IR35?

From 6th April 2017 all payments made to an individual who provides services to the University or its subsidiary companies through a personal services company (PSC) will need to be paid through the University's payroll, unless the engager can certify that they are not liable for PAYE and National Insurance deductions. This certification must be evidenced by use of HMRC's Employment Service Status (ESS) tool.



PSC DEFINITION

‘A limited company, partnership or unincorporated company (sole trader) that typically has one or two directors who owns most or all of the shares. The professional services are delivered by the contractor who is also the owner and director of the business’

For example they might be known as: self-employed, freelancer, consultant, or contractor.



How would you determine the nature of the engagement?

Done via the ESS Tool

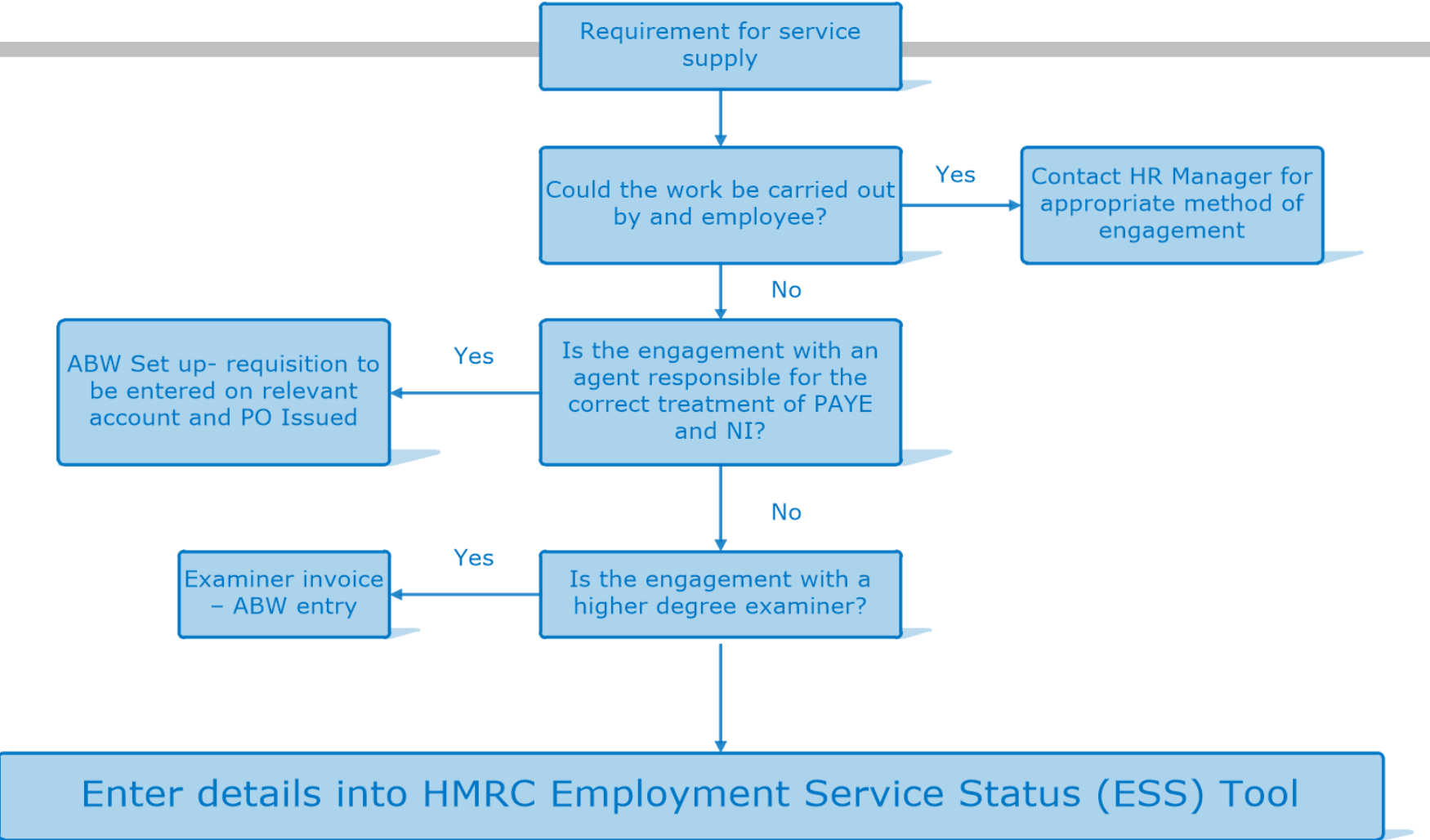
It is an anonymous online tool and the data is not retained by HMRC.

It is essential that the output from the ESS tool is retained by the University as evidence we have checked the PSC's employment status.

Which payments should be tested for IR35 Compliance?

- **A service not goods**
- **The service that is normally provided on the University's premises**
- **The service is normally completed using the University's equipment and/or facilities**
- **Small limited company, partnership or sole trader that typically has one or two directors only**
- **The service is delivered by the contractor who is also the owner and director of the business i.e. a Photographer**

Enter details into ESS Tool



Enter details into ESS Tool

Enter details into HMRC Employment Service Status (ESS) Tool

IR35 legislation does not apply to this engagement or this engagement should be classified as self-employed for tax purposes

Self-employed supplier ABW set up

Requisition entered and attach ESS tool printout

Invoice entered for payment through creditors

IR35 legislation applies to this engagement

Supplier to submit invoice and attach ESS tool print out with the completed UEAPSC form

Documents sent to payroll for processing. PAYE and NI deducted

Engagement should be classed as employed for tax purposes

Work carried out on a 'One off' basis

Yes

UEA4

No

Contact HR - contract required

Unable to determine the tax status of this engagement

Check for conflicting responses and re-run test. Contact Finance Office if the same result is returned

Points to note

- **The test should be completed prior to the individual being engaged for work. If applicable, the requisition has to be raised prior the supply of the service from the individual**
- **It is important not to assume that any supplier already set up on ABW has passed the ESS tool check as it is possible for the same PSC could to be engaged in different ways**
- **Tendering regulations must be adhered to**
- **ESS tool has to be signed off by G6 or above.**
- **purchase cards should not be used under any circumstances for payments to those classed as self-employed (this would prevent payment in advance of an ESS evaluation being completed)**
- **The Finance Office is responsible for checking that the ESS Tool has been attached electronically to the purchase requisition. Therefore please can you ensure there is sufficient information added to the narrative of the purchase requisition for us to make an informed decision.**

**THANK
YOU**
