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WORK LIBERATED

FOR AGENCIES

HMRC Reporting Requirements

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What the changes mean?

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You must operate Pay As You Earn (PAYE) when running your payroll. PAYE is HM Revenue and Customs' (HMRC) system that collects Income Tax and National Insurance from employment income.

You must operate PAYE for your direct employees and any workers you have to treat as employees for Income Tax and National Insurance purposes.

1. What intermediaries must do?

From 6 April 2014, you must be able to prove to HMRC, if asked, why the worker wasn't treated as an employee. You should work with the client and worker to get suitable evidence to demonstrate this.

From 6 July 2015 onwards, you'll have to send HMRC reports that contain details of all workers and their payments where you, or your payroll operator, didn't operate PAYE.

Each tax year, from 6 April of one year to 5 April of the next, is divided into 4 reporting periods. You must send HMRC reports if at any time during a reporting period:

- You are an agency
- More than 1 worker provided their services to a client because of a contract between you and 1 or more clients
- The workers' services were provided in the UK
- You didn't treat 1 or more of the workers as employees because nobody had a right to supervise, direct or control how they did the work, or the payments they received were already being treated as employment income elsewhere, or both – see 'Definition of an employee for intermediaries' below for more information.

You must continue to send HMRC reports until either:

- You notify HMRC you are no longer an employment intermediary
- The conditions for sending a report haven't been met for 3 consecutive tax years.

If more than 1 intermediary is involved in providing a worker's services to a client, the intermediary that has a contract with the client is responsible for sending HMRC the reports.

If you only introduce workers to clients, after which you have no further involvement, then you don't need to send HMRC any reports.

You must send HMRC your first report by 5 August 2015. This will cover the 3 months from 6 April 2015 to 5 July 2015.

You must use HMRC's report template to create reports. HMRC will provide an online service that you'll need to use to upload and send reports. When you use that service, you'll have to confirm the information is correct before you can send it to HMRC.

You may get a penalty if your reports are late, incomplete or incorrect. HMRC will publish more information on these penalties soon.

2. Definition of an employee for intermediaries

From 6 April 2014, a worker must be treated as an employee for Income Tax and National Insurance purposes if the worker:

- Is placed with a UK based client
- Personally provides their services to the client
- Provides their services to the client, or is paid for their services, because of a contract between an intermediary and the client (or someone connected to the client)
- Is, or can be, supervised, directed or controlled by someone as to how they do the work
- Isn't having the payments they receive for providing their services already treated as employment income.

These conditions don't apply if a worker provides their services:

- As an actor, singer, musician, other entertainer, or a fashion, photographer's or artist's model
- From their home or somewhere that isn't controlled or managed by the client or required by the nature of the services.

3. Reporting deadlines

You'll have 30 days after the end of a reporting period to send your report.

You can amend a report after you have sent it to HMRC, but this must be done by the same deadline date for completing the next reporting period.

Reporting period	Deadline to complete	Deadline to replace a report
6 April to 5 July	4 August	4 November
6 July to 5 October	4 November	4 February
6 October to 5 January	4 February	5 May
6 January to 5 April	5 May	4 August

4. What information must be included in the report?

If you are responsible for sending the report to HMRC, you must include:

- Your full name, address, postcode and PAYE reference
- The start and end dates of the reporting period
- The worker's personal details
- The engagement and payment details.

HMRC will provide a technical specification to third party software houses or developers to allow them to develop software for their clients.

5. Worker details

You must include each worker's:

- Title
- Full name
- Date of Birth
- Gender
- Address and postcode
- National Insurance number (if they have one)
- Passport number (if they don't have a National Insurance number)
- National identity card number (if they don't have a National Insurance number or a passport number)
- Unique taxpayer reference (if they are self-employed or a member of a partnership).

6. Engagement and payment details

If a worker has more than 1 engagement in a reporting period, you must provide details about each engagement. You must state:

- How a worker was engaged to do the work – through a partnership, limited liability partnership, self-employed, limited company, another party that operated PAYE
- Start date of each engagement
- End date of the each engagement (if there is one)
- Number of hours worked during the reporting period
- Total amount paid to the worker
- The full name or trading name of whoever received the payments – if this was a limited company you must also provide the company registration number
- If the payment included VAT.

7. Record keeping

You must keep information, records and documents that prove what you sent to HMRC was correct. This information may include any documents that show the worker wasn't, or couldn't be, supervised, directed or controlled as to how they did their work.

You must keep the records for at least 3 years after the end of the tax year that they relate to. You can choose how you meet this requirement