Changes to Off Payroll Working

What is the Change?
In April 2017, HMRC changed the way the current intermediaries’ legislation (known as IR35) is applied to public sector suppliers. Where the rules apply, people who work for the public sector through an intermediary such as a personal services company will pay employment taxes in a similar way to employees. The University is now responsible for calculating Income Tax and primary National Insurance (NI) contributions and pay them over to HMRC. These amounts are deducted from the intermediary’s fee for the work provided. The University is also liable for the Apprenticeship levy of 0.5% on all payments and employers NI of 13.8%.

What is the University’s response?
To comply with this change, we have added new steps to our new supplier set up process. Additional information will be required from all new suppliers to allow us to establish whether they are in scope. Payments for those identified as in scope will be processed via the payroll system. Payroll runs are monthly so less frequent than the weekly payment runs for other supplier payments.

What do I need to do differently?
1. Extra consideration is required when engaging externals who deliver their services through a company:
   • There is additional cost to the department which will now have to pay NI (13.8%) and an Apprenticeship levy (0.5%) in respect of these suppliers.
   • Suppliers may use this as a reason to charge the department higher rates due to the levels of tax and NI we will be obliged to pay on their behalf.
   • In some instances, it may be preferable to place them on a temporary employment contract instead.

2. Allow more time to set up new suppliers due to the extra checks and registration required.

3. Set correct expectations on payment times:
   • The University’s standard payment terms are 30 days from a receipt of a valid invoice reference the correct purchase order. Whereas in the past we had some flexibility to agree to suppliers’ requests to pay sooner than standard 30 day terms, due to the extra steps in the new process this is currently not possible.

4. If suppliers are unaware of the change, refer them to the HMRC website pages below.

More information for suppliers can be found at: https://www.gov.uk/guidance/off-payroll-working-in-the-public-sector-reform-of-intermediaries-legislation

If you wish to contact someone directly about this please contact Julie Austin at Julie.austin@lancaster.ac.uk telephone extension 92913.

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