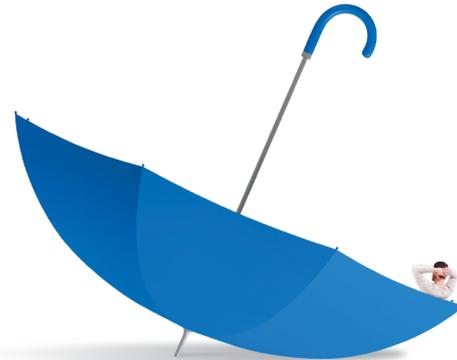


end hirers force  
supply chain  
compliance



## background

One of the clear impacts of the Off-payroll IR35 reforms in the public sector has been the significant increase in the use of umbrella companies. This is likely to be repeated in April 2021 when the reforms impact the private sector. Many agencies however are learning to their cost, that not all umbrella companies are compliant and this non-compliance presents significant risk to the contractor, agency and hirer. It has taken nearly two years for the use of non-compliant providers to diminish in the public sector as the frameworks encourage only FCSA approved suppliers should be used. There has also been the introduction of regular wage slip audits to ensure the providers are consistent in how they operate and deduct the correct tax.

As a result we have seen a significant increase in the number of agencies looking to reduce their PSL's and therefore needing to migrate contractors between suppliers.

## the issues

Many hirers and MSP's are now insistent that agencies only use independently audited umbrella providers and often require the provider to be a member of the FCSA. Many hirers are now taking significant interest in supply chain compliance as failure in the supply chain poses high risk both financially and also reputationally.

There have been numerous examples over the last few months of top 200 recruitment agencies and their contractors receiving letters from HMRC regarding the use of non-compliant providers with HMRC intent on investigating and collecting the unpaid tax. This is an important reminder to agencies to strictly adhere to their umbrella PSL in order to avoid the wasted time taken in dealing with a HMRC enquiry and the resulting reputational damage with hirers and contractors.

There are also regular reports on contractor forums of letters from HMRC being received where they suspect contractors have been using non-compliant schemes, often where the agency has specifically promoted them. The backdated tax bills can be significant and cause significant distress to contractors and their families with homes being put at risk.



## operational considerations

To switch umbrella providers the agency needs to plan the exercise to ensure there is no disruption to pay and pay frequency. The best form of communication is when the agency calls the worker to explain the reasons why they need to switch supplier and inform them of a list of compliant providers they can choose from. It is important to create a compelling reason for the worker to take action. Setting a deadline for the final payment to their current provider is a good way to ensure that the contractor takes action and has completed the onboarding process with the new provider in good time. The new umbrella company can ensure the worker completes a new starter declaration form (used to be a P46). This will ensure the worker is put on the correct tax code for their first payslip. If the worker has any outstanding expenses logged with their current provider these should be processed through their final wage slip before the agency switches payment to the new umbrella. The new umbrella could also offer an initial 2 weeks free of any margin retention to encourage the worker to take action swiftly.



## summary

As the ramifications of the Off-payroll IR35 reforms become clearer over the course of next year the importance of selecting the correct umbrella companies to use will be fundamental to an agencies compliance. It is also now a significant aid to winning business as the selection of a compliant supply chain is key for hirers when awarding business.

If the wrong supplier is chosen it does not need to be challenging to switch providers if the right communication plan is put together and there is a clear timeline in place for the switchover. The contractor can often benefit from an introductory offer and all parties in the supply chain can be assured that they are not open to future financial risk or reputational damage.

At **giant** we have significant experience in managing switcher campaigns for agencies. If you would like to hear more please contact us on 0330 024 0946.



## about giant

Since 1992 **giant** have provided specialist, end to end workforce management software and support services to large and small recruitment agencies, internationally.

We invest heavily in our cloud-based software which ranges from candidate sourcing and onboarding through to timesheet management, billing and payroll. Our support services include candidate screening, employment solutions and legislative risk management; whilst at our specialist division, **giant finance+**, we provide tailored funding, software and support services for start-up to medium sized recruitment agencies.

You can relax knowing your data is safe with us. Our commitment to compliance protects your business from risk and our rigorous international security standard ISO 27001 ensures that your data is GDPR secure.



☎ 0330 024 0946

**giant**

hello@giantgroup.com  
www.giantgroup.com