Procedure Note: Off-Payroll Workers

<table>
<thead>
<tr>
<th>Version</th>
<th>Date Last Updated</th>
<th>By: Post</th>
<th>Post Holder</th>
<th>Main amendments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>28/03/2017</td>
<td>Project Accountant</td>
<td>Yvonne Laird</td>
<td>Original version</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Contents

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Completed</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Flowchart</td>
<td>✓</td>
<td>on page 4</td>
</tr>
<tr>
<td>2</td>
<td>Objective of Process</td>
<td>✓</td>
<td>on page 4</td>
</tr>
<tr>
<td>3</td>
<td>Background Information</td>
<td>✓</td>
<td>on page 4</td>
</tr>
<tr>
<td>4</td>
<td>Dependencies</td>
<td>✓</td>
<td>on page 4</td>
</tr>
<tr>
<td>5</td>
<td>Flowchart Guidance</td>
<td>✓</td>
<td>on page 5</td>
</tr>
<tr>
<td>6</td>
<td>Appendices’</td>
<td>✓</td>
<td>on page 7</td>
</tr>
</tbody>
</table>
1. Flowchart

Option 1: Continue engagement?
- Yes: Proceed to Goods or services?
- No: Complete new vendor request form

Option 2: Goods or services?
- Yes: Send invoice to AP for payment
- No: Complete new vendor request form

Option 3: Has ESI tool been completed?
- Yes: Service provided by an individual/agent/own company?
- No: Proceed to Value over £25k?

Option 4: Value over £25k?
- Yes: Proceed to Service provided by an individual/agent/own company?
- No: Proceed to Same engagement as when tool originally completed?

Option 5: Same engagement as when tool originally completed?
- Yes: Proceed to Service provided by an individual/agent/own company?
- No: Proceed to Self-employed

Outcome 1: Send invoice to AP for payment
Outcome 2: Complete new vendor request form
Outcome 3: Quote/tender process
Outcome 4: Send invoice/fee payment instruction to Salaries
Outcome 5: Send invoice to Accounts Payable

Question 3 of the flowchart continues on the next page.
Q3. Service provided by an individual/agent/partnership/individuals/own company?

- Yes
  - Outcome 6. ESI Tool to be completed
  - Yes
    - Employed/unable to determine
      - No
        - Outcome 7. Complete fees payment instruction form or send invoice
      - Yes
        - Self employed
          - Yes
            - Outcome 8. Email results to procurement
          - No
            - Processed by Procurement

- No
  - Yes
    - Salaries process form
  - No
    - Outcome 10. Email the service provider

Outcome 10. Email the service provider
2. Objective of Process

The objective of this process is to ensure that the University complies with the new HMRC legislation regarding off-payroll workers.

3. Background Information

New legislation

The new rules operate in respect of payments made on or after 6 April 2017. This means that they are relevant to contracts entered into before 6 April 2017 but where the payment for the work is made after 6 April 2017. The change in legislation now makes it the responsibility of the University to determine whether there is an employment relationship. If there is, then we must account for the individual’s tax, Employee NIC and Employer NIC through our payroll system. The new legislation is referred to as off-payroll worker rules.

Who is affected?

The new legislation has been put in place to ensure that individuals providing services either as an individual, partnership, through an agency or through their own company, pay employment taxes in a similar way to employees as if they were in fact employed.

How will the employment status be determined?

HMRC have provided a new online tool to help determine the employment status of an individual. The person who engages with the individual will have the most knowledge about the individual circumstances of the engagement and is therefore the most appropriate person to complete the form and obtain the status assessment. The tool cannot be completed by the individual who is being engaged to perform the work.
4. Dependencies

Before completing the online tool, you will need to know:

- The worker’s responsibilities
- Who decides what work needs done
- Who decides when, where and how the work is done
- How the worker will be paid
- If the engagement includes any benefits or reimbursement for expenses

5. Flowchart guidance

This guidance should be used alongside the flowchart.

Q1. Is this a continuing engagement?

A continuing engagement is an ongoing arrangement between the University and the supplier.

Q1.1 Goods or services?

Goods are physical items.

Services are anything that is not a good.

Outcome 1: Send the invoice to Accounts Payable at the following email address: accpay@st-andrews.ac.uk

Outcome 2: Complete the online vendor request form which can be found at the following link: http://www.st-andrews.ac.uk/staff/money/procurement/buyernetwork/newvendor/

Q2.1 Is the value over £25,000?

Q2.2 Has the ESI Tool been completed?

Q2.3 Is this the same engagement as when the tool was originally completed?

Have the terms of the contract change since you last engaged with the service provider?

Q2.4 Was the outcome of the tool employed/unable to determine or self-employed?

Outcome 3: Complete the tender process details can be found at the following link: http://www.st-andrews.ac.uk/staff/money/procurement/tendering/

Outcome 4: Send invoice or fee payment instruction form to salaries at the following email address: salaries-external@st-andrews.ac.uk. The fees payment instruction form should be authorised in the usual way, either signed or sent from an authorised signatories email address.
Outcome 5: Send the invoice to Accounts Payable at the following email address:

accpay@st-andrews.ac.uk

Q3 Are the services being provided by an individual/agent/partnership/an individuals’ own company set up as a limited company?

- **Individual** – someone who is self-employed
- **Agent** – we employ someone through an agency
- **Partnership** – company owned by partners
- **Individuals own company** – provides services through a limited company but it is actually an individual providing services.

**Note**: Large companies who employ multiple staff to perform services on behalf of the company are not caught under the new legislation, such as KPMG (accountants) or Thornton’s (lawyers) these invoices can be processed in the normal way without completing the ESI tool.

Outcome 6: Complete the ESI tool which can be found at the following link:

https://www.gov.uk/guidance/check-employment-status-for-tax

Outcome 9: Complete the online new vendor request form which can be found at the following link:

http://www.st-andrews.ac.uk/staff/money/procurement/buyernetwork/newvendor/

Q4 Was the outcome of the tool employed/unable to determine or self-employed?

Q4.1 Will the invoice be received from a Ltd or VAT registered company?

Outcome 7: Complete the fees payment instruction form or send the invoice along with the ESI tool to salaries at the following email address: salaries-external@st-andrews.ac.uk Details of to save the ESI tool as a PDF document can be found in appendix 1.

Outcome 8: Complete the online new vendor request form which can be found at the following link:

http://www.st-andrews.ac.uk/staff/money/procurement/buyernetwork/newvendor/
e-mail the ESI tool results to procurement at the following email address: procurement@st-andrews.ac.uk Ensure you enter the name in the subject header of the email. Details of to save the ESI tool as a PDF document can be found in appendix 1.

Outcome 10: Send an email to the service provider advising them of the outcome of the tool.
Sample emails can be found in appendix 2.
6. Appendices’

Appendix 1: How to print the ESI tool to PDF

Once the tool has provided you with a decision enter your name and that of the individual you assessed in the box shown below:

Optional: you can customise this summary by adding some information before you print it. This is for your reference only and won’t be stored by HMRC.

Check performed by (name)
Yvonne Laird

Your reference (contractor name or contract reference)
Joe Bloggs

Print this page

Select print this page which is shown under your reference. You will then be prompted to select your printer select ScanSoft PDF Create!

You will then be asked to save the PDF file.
Appendix 2 E-mail templates

Off Payroll Workers

To assist with the changing legislation regarding off payroll workers, engagers may wish to issue the following communication to service providers depending on the outcome from the Employment Status Tool.

A: Deemed a Worker (the intermediaries legislation applied to this engagement)

Dear

As you may be aware, with effect from 6 April 2017, tax changes have been introduced that require the University to undertake an assessment of all individuals who provide a service to the University and traditionally were classed as self-employed.

The University has undertaken an assessment of the services provided by you, using the HMRC Employment Status tool https://www.gov.uk/guidance/check-employment-status-for-tax. The employment status tool has deemed you as a worker. As a result of this, the payments made to you will be subject to tax and National Insurance. A copy of the outcome is attached for information.

If you believe you have been taxed incorrectly, you can submit a repayment claim to HMRC. HMRC will then determine if you are due a repayment of Income Tax or NICs. Please refer to guidance on tax overpayments and underpayments.

A discussion will take place with Human Resources regarding this outcome to ensure all necessary obligations are being met. In the meantime, any payment requests submitted will be subject to tax and National Insurance.

If you have any queries regarding this outcome, please contact Salaries-external@st-andrews.ac.uk.

B: Unable to determine

Dear

As you may be aware, with effect from 6 April 2017, tax changes have been introduced that require the University to undertake an assessment of all individuals who provide a service to the University and traditionally were classed as self-employed.

The University has undertaken an assessment of the services provided by you, using the HMRC Employment Status tool https://www.gov.uk/guidance/check-employment-status-for-tax. The employment status tool has been unable to determine your employment status. As a result of this, the payments made to you will be subject to tax and National Insurance. A copy of the outcome is attached for information.

If you believe you have been taxed incorrectly, you can submit a repayment claim to HMRC. HMRC will then determine if you are due a repayment of Income Tax or NICs. Please refer to guidance on tax overpayments and underpayments.
If you have any queries regarding this outcome, please contact Salaries-external@st-andrews.ac.uk.

| C: Self Employed (this engagement should be classed as self-employed for tax purpose) |

Dear

As you may be aware, with effect from 6 April 2017, tax changes have been introduced that require the University to undertake an assessment of all individuals who provide a service to the University and traditionally were classed as self-employed.

The University has undertaken an assessment of the services provided by you, using the HMRC Employment Status tool [https://www.gov.uk/guidance/check-employment-status-for-tax](https://www.gov.uk/guidance/check-employment-status-for-tax). You have been deemed as **self-employed**. As a result of this, the payments made to you will not be subject to tax and National Insurance. A review of this status will need to be undertaken if the status of this engagement varies or changes.

If you have any queries regarding this outcome, please contact Salaries-external@st-andrews.ac.uk.