



IMPORTANT CHANGE TO TAX LEGISLATION THAT MAY APPLY TO TEMPORARY STAFF (OFF-PAYROLL WORKING)

Purpose

1. This note is to make you aware of the UK Government's forthcoming amendment to tax legislation, how it may impact on public bodies that engage individuals through Personal Service Companies (PSC) and how it may impact agencies that supply temporary staff.

Background

2. In the Autumn Statement on 23 November, the Chancellor of the Exchequer confirmed that UK Government plans to reform the Intermediaries Legislation (known as IR35) will be progressed as part of the Finance Bill 2017.

3. The legislation change impacts individuals working across the public sector who are employed through an intermediary company (typically a PSC), and who would be employees were it not for that intermediary. From April 2017 the responsibility to pay employment taxes will shift from the PSC to the public sector body or agency, as the case may be, that engages the individual. This is sometimes referred to as off-payroll working and the change is likely to have impact on public bodies HR and Finance functions.

4. Subject to Parliamentary approval and Royal Assent the change to off-payroll working in the public sector legislation will apply to payments made on or after 6 April 2017. It will apply to contracts entered into before that date. If work is completed before 6 April 2017 but payment made on or after 6 April 2017 it will be within the new legislation.

Scottish Government Framework Agreements

5. Where PSCs are engaged directly by recruitment agencies, it will become the responsibility of the agencies to pay employment taxes on behalf of the PSC. Scottish Procurement offer a number of framework agreements (FA) that can be used by the public sector in Scotland to buy in Professional, IT and Temporary Staff services from recruitment agencies. Officials have opened a dialogue with the agencies to better understand the impact of the change. Public bodies that use other FAs and/or contracts may wish to consider what the impact may be on these as a result of the forthcoming change.

Potential Implications

6. The change being introduced only applies to PSCs that provide their services to the public sector; there is no change to the current tax rules if a PSC provides its services to the private sector. Public bodies are asked to consider the potential implications that this tax change could have for them.

Further Detail

7. This change to off-payroll working in the public sector tax legislation is separate from tax arrangements of Scottish public sector workers announced in [SPPN 6/2012](#).

8. HMRC has published [guidance](#) and also intends to publish an online tool to assist in determining those circumstances where the new legislation will apply.

Dissemination

9. Please bring this SPPN to the attention of all relevant staff, including those in agencies, non-departmental public bodies and other sponsored public bodies within your area of responsibility.

Contact

10. If you have any questions about this SPPN, please contact the [Scottish Procurement mailbox](#). You can also write to Scottish Procurement, The Scottish Government, 5 Atlantic Quay, 150 Broomielaw, Glasgow, G2 8LU.