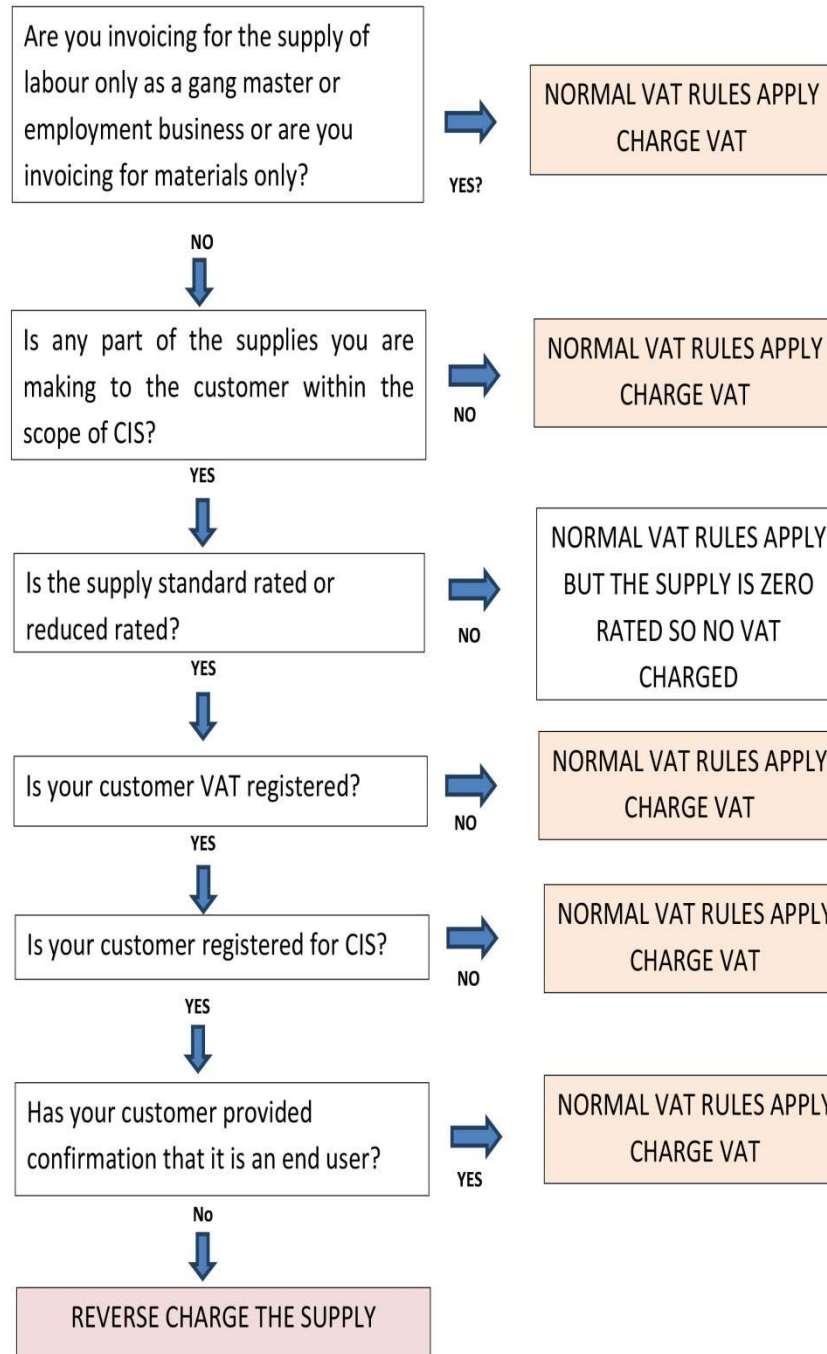

**REVERSE CHARGE VAT
&
Off PAYROLL WORKING**

Liz Bridge

Secretary to the Joint Taxation Committee

Spring 2021

Sending out the correct invoice? Normal or reverse charge?



Do you buy a lot of materials ?

- Materials only supplies are NEVER reverse charged
- If the VAT on the materials you buy exceeds the VAT you will charge the customers/contractors you work for, you will have even greater stress on your cash flow unless you opt to become a monthly repayment trader



Who is an end user?

Look only at who pays you and who you are contracted to, not the overall project 4

Someone who will sell or rent or use the structure --

A Developer

A Landlord

A Local Authority

A Utility Company

A Domestic Householder

A customer /client approaches..

Setting up your customer file

- are they VAT registered ? Record and check
 - are they CIS registered ? Ask for UTR and check or ask for copy of their check of your firm
 - are they an end user on this project?
You need a letter or email.
-

TO DO LIST!

- Read the government website
- Talk to your accountant about your cashflow
- Plan out how you will pay your bills through the first and second quarter of 2021 when cash flow will be at its most difficult
- Redesign your invoices and applications for payment
- Consider how you will monitor and record whether your customers are VAT registered and CIS registered and keep end user declarations.
- Think about whether you will need to be a monthly repayment trader.
- Consider warning letters to your subcontractors
- Upgrade software and learn to use it.



Off Payroll Working ?

Only legislated for Large and
Medium sized employers

But don't hold your breath.....



Are you an employer in the frame for the new legislation?

- more than 50 employees
- turnover £10.2 million +
- balance sheet assets £5.1+

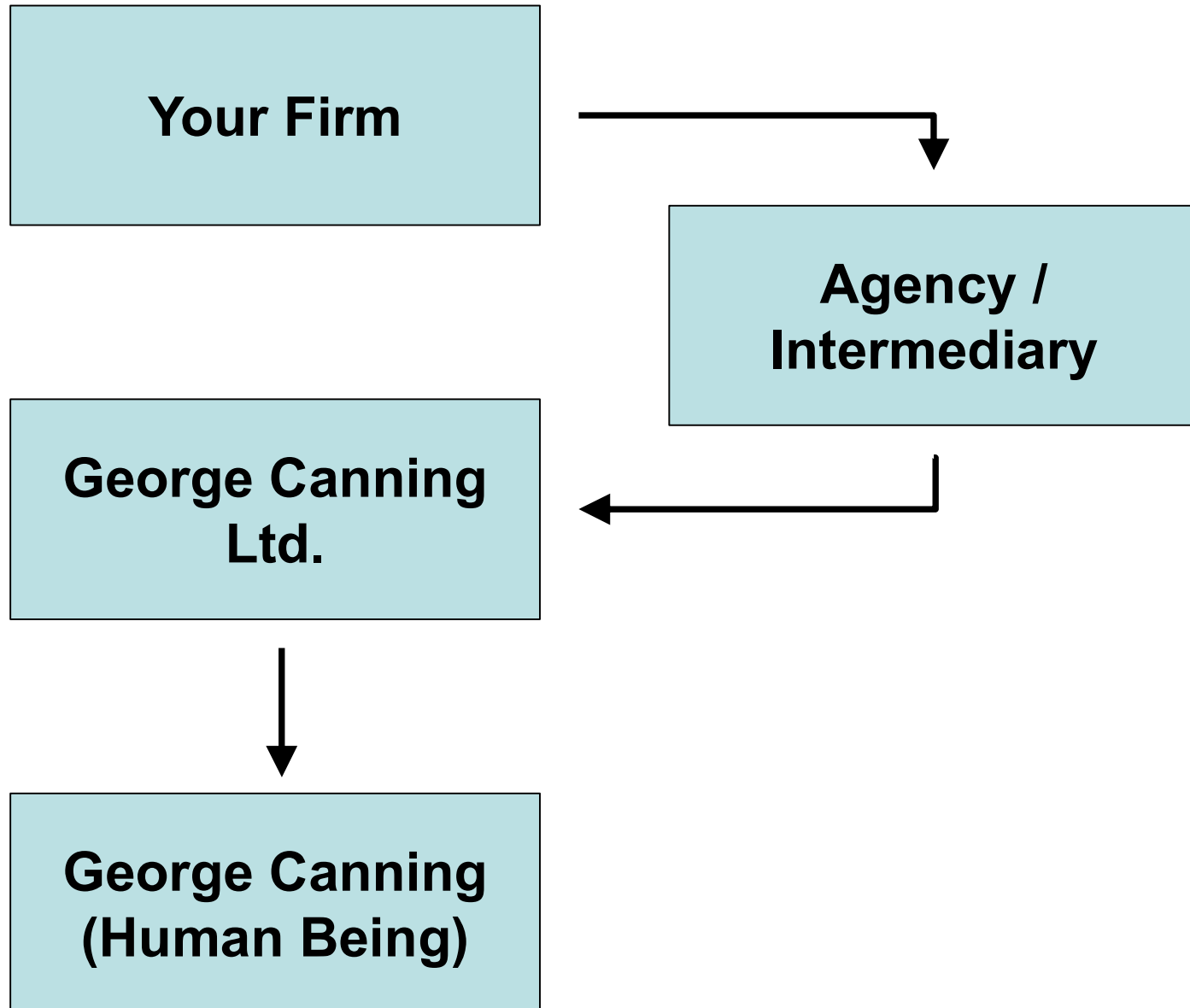


So what does off payroll working mean?

If your firm was not paying another company/partnership/ entity for their work, the worker would be your employee.

(A chain or disguise is in place to avoid PAYE?)





Who are you not looking for?

- **People who work on your projects engaged by other contractors whose faces and skills you barely know**
- **People where the subcontractor you subcontract with is genuinely responsible for the quantity/quality of the job and it/ he supervises and controls his own workforce**
- **People already on your payroll !!!!!!**



Who must you consider dangerous?

- Regular faces not on your payroll
 - Anyone with your firm's name on a business card or named on your website
 - Anyone who wears your logos on their clothes
 - Anyone who sits somewhere regularly , or attends regularly even one day a week
 - Anyone who others might think was your worker.
-

Who must you consider dangerous?

- **Anyone who has no other engager as far as you know, or very few.**
 - **Anyone who previously worked for you in PAYE and is doing the same-ish job even part time**
 - **Anyone you know is working for their own limited company eg E Bridge Ltd**
 - **Anyone you asked to work for your business because you liked them or their skill set**
-

Who must you consider dangerous?

- **Anyone who drives your vehicles**
 - **Anyone you give holiday pay/allowances**
 - **Anyone who you train**
 - **Anyone who comes to your Christmas party**
 - **Anyone who might think or loosely describe themselves as ‘working for’ your firm**
-

Why are they dangerous?

Because the legislation that comes into force in April 2020 puts responsibility for PAYE onto the business that pays the limited company that pays the end person

They are called the fee payer

The law says the fee payer must apply PAYE to the fee paid to a person's own limited company



What if the fee payer doesn't
do what they should do?

Liability will lie with the firm who
used the human being.



Test your dangerous list using HMRC CEST

- Find this online
- It is anonymous
- Answer the questions truthfully



Best public guidance

Start with

Fee payer responsibilities under
off payroll working rules GOV

<https://www.gov.uk/guidance/fee-payer-responsibilities-under-the-off-payroll-working-rules>



Do you need help? (Tax Problems Only!)

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*HMRC Business Support Service if you are
running into cash flow problems:*

0300 200 3835
