

## SUPPLY AGENCIES AND UMBRELLA COMPANIES

**Supply teachers have a vital role in raising and maintaining high educational standards in schools. Campaigning to secure professional entitlements for supply teachers is a key priority of the NASUWT, together with securing decent pay and working conditions for all supply teachers.**

The meteoric rise of third-party service companies claiming to save tax for temporary workers (including supply teachers) is, regrettably, not a new phenomenon. In April 2007, Managed Services Company legislation was introduced to get rid of most of them, but many have now reappeared as umbrella companies. Some of these companies are based outside the UK.

The NASUWT is aware of the concerns raised by its supply teacher members about being required by recruitment agencies to join umbrella companies for payment of their salaries in order to 'save tax' on remuneration. NASUWT members have also expressed their dismay at being asked to pay both Employer's and Employee's National Insurance (NI) contributions in addition to the umbrella companies' margin.

The NASUWT continues to work to garner information about the activities of umbrella companies in order to challenge unscrupulous practices.

The NASUWT has noticed that, generally, there is a quadripartite arrangement between the parties. Such arrangement is often between the supply teacher, recruitment agency, the school and umbrella company.

### **Typical arrangement:**

1. The umbrella company will have a business-to-business contract with the recruitment agency.
2. The supply teacher will have an employment contract with the umbrella company.
3. The client (the school) will complete a timesheet for the recruitment agency, to confirm the hours/days that have been worked.

4. The supply teacher will supply the signed timesheet to the recruitment agency (and may be required to complete a similar timesheet for the umbrella company).
5. The umbrella company raises an invoice to the recruitment agency for the work undertaken by the supply teacher, plus any expenses agreed to be reimbursed.
6. The recruitment agency then invoices the school.
7. The school then pays the umbrella company.
8. The umbrella company processes the payment and any expenses, and deducts the necessary tax and NI contributions.
9. The umbrella company then makes a payment through PAYE to the supply teacher, who should then receive a payslip as if they were in ordinary employment.
10. The supply teacher receives their money, less tax, NI contributions and the umbrella services fee.

There is nothing inherently unlawful about arrangements in which supply teachers are employed by an umbrella company and secure work with a school through a recruitment agency.

## **USEFUL TIPS**

### **What you need to know and do as a supply teacher ('dos')**

1. Always seek advice on the terms of your contracts with the recruitment agency and the umbrella company. Your contract with the recruitment agency should be considered alongside your agreement with the umbrella company.
2. If you are required to enter agreements with an umbrella company as a precondition for being provided with work at a school (or through a particular agency), report this to your NASUWT Local Union Representative immediately.
3. You should be aware that making work provision to a supply teacher conditional on employment by the umbrella company is unlawful.
4. Always check your payslip to ensure that PAYE and NI contributions have been deducted.
5. The liability to account to HMRC for both tax-deducted and NI contribution lies with the umbrella company. However, if PAYE has been applied wrongly, and further tax should have been deducted from the wages paid to you, though HMRC should look to the umbrella company first, if it was insolvent or otherwise unable to pay, HMRC could look to the supply teacher.
6. The position is different if the tax and NI has been deducted but the umbrella company has not accounted for that money to HMRC. Here, the money is owed

by the umbrella company not the supply teacher. However, the position may be complicated by the status of the supply teacher (vis-à-vis the recruitment agency) as independent contractor. For example, if your contract with both the recruitment agency and the umbrella company are expressed as 'contract **for** services', you are likely to be regarded as an independent contractor. As such, you are responsible for the payment of your tax and NI contributions. If, on the other hand, your contract with the umbrella company is described as 'contract of employment', the umbrella company is your sole employer (albeit work being provided through a number of different recruitment agencies) and is responsible for your PAYE and NI contribution.

7. Also check your payslip to see whether the deduction of the employer's NI contribution is included. If the deductions are made from your wages, you should challenge this.
8. Please note that some payslips would show the deduction of the employer's NI contribution to indicate the deductions made from the sums received by the umbrella company from the recruitment agency, before showing how the balance is treated to identify the sum payable to the supply teacher.
9. Always seek advice before claiming work-related expenses. See note below for a summary of tax treatment on work-related expenses.

### **What you need to avoid ('don'ts')**

1. Avoid claiming tax-related expenses without first obtaining legal advice. Some umbrella companies trade on the confusion surrounding travelling expenses. Note that any liability for making a false claim on expenses remains the sole responsibility of the supply teacher.
2. Avoid signing any document absolving the recruitment agency or umbrella company of any liability.
3. Always check your payslip to ensure that you are not paying the employer's NI contribution or income tax.

### **Tax treatment on work-related expenses**

The procedure for claiming work-related expenses is permissible by law, but only if you are a temporary worker carrying out work of a limited duration. For instance, when the arrangement with the umbrella company is available to cover a number of assignments, based at different workplaces, during a period of employment, the following will apply:

- i. Travel and accommodation expense claims will not be permitted, if it is known that, in practice, there will only be a single assignment during employment with the umbrella company. In this case, HMRC is likely to treat the supply teacher as having a permanent workplace.

- ii. Where the employment is intended to extend beyond a single assignment at different workplaces, a supply teacher would be able to claim expenses, provided their workplace meets HMRC's definition of a temporary workplace, where their attendance lasts no longer than 24 months.
- iii. As soon as you know that your assignment at that workplace will last beyond 24 months, you should stop claiming travel and accommodation expenses.



Hillscourt Education Centre, Rose Hill, Rednal, Birmingham B45 8RS

Tel: 0121 453 6150 Fax: 0121 457 6208 E-mail: [nasuwt@mail.nasuwt.org.uk](mailto:nasuwt@mail.nasuwt.org.uk)  
Website: [www.nasuwt.org.uk](http://www.nasuwt.org.uk)