**Payments to Individuals**

**Where payment against an invoice is requested with the payee being a named individual, reference to HMRC’s Check Employment Status for Tax (CEST) should be made.**

Schools need to complete a check using the HMRC Tool as to the nature of the transaction so that confirmation is received as to whether a cheque can be raised at the school with payment made directly or the individual is not self employed and the payment needs to be processed via the school's payroll provider so that appropriate tax and NI deductions can be made.    
   
  
The following links give further information and explain how the Online interactive tool can assist in determining how the payment should be made. You should print the page once completed to keep a record as HMRC will not retain details for security reasons. This should be stored safely so it is readily available if required. HMRC will stand by the result unless a compliance check finds the information provided isn't accurate. If the worker’s employment status is questioned in the future, HMRC will only be bound by the Employment status check if this document can be produced:  
  
   
<https://www.gov.uk/guidance/check-employment-status-for-tax>

It is advisable to obtain the individual's Unique Tax Reference Number (UTR) which is issued to anyone who is self employed. On our site is a blank form that can be used to gain information from self-employed workers which schools can adopt.

[Employment Status Letter and form](https://docs.google.com/a/hillingdon.gov.uk/viewer?a=v&pid=sites&srcid=aGlsbGluZ2Rvbi5nb3YudWt8c2Nob29scy1maW5hbmNlfGd4OjUzYzA2NjY0ZmRkNDJkYjg)

If you need further help you can phone HMRC on 0300 123 2326. Some occupations including teaching may need additional information.

**IR35 - Off payroll working**

Since April 2017, it is a legal requirement for public sector organisations to determine whether a worker is inside or outside the IR35 legislation. This determination must be undertaken prior to the worker being engaged. Where the rules apply, people who work in the public sector (including schools) through an intermediary will pay employment taxes in a similar way to employees.

Until recently schools have had to make checks on employment status before payments without tax and NI deductions are made to individuals who are self employed.  Legislation changes from April 2017 mean that checks will need to be carried out even if individuals are providing a service through a limited company.

This requirement includes schools and it is recommended that each school appoint a dedicated person to manage IR35. Schools can easily determine the IR35 status of a worker by: completing [HMRC’s Check Employment Status for Tax (CEST) online questionnaire](https://www.gov.uk/guidance/check-employment-status-for-tax). Where the rules apply, the School is required to calculate Income Tax and National Insurance contributions (NICs) and pay them over to HMRC. These amounts will be deducted from the intermediary’s fee for the work provided. HMRC is likely to pursue this legislation robustly for the increased revenue and NI.

If the result of the check shows that the “intermediaries legislation applies to this engagement” then payment must be made through the school’s payroll.   Please note the school will bear the cost of employer’s NI.

If the message "the intermediaries legislation does not apply to this engagement" is received then the payment can be made gross and a print should be retained in school records.

The school will be liable for any non-compliance – this will include not just the additional tax/NI but also potential fines. There is also the likelihood of a full tax audit, as well as reputational damage to the school and the employer if you are not compliant. Further guidance from HMRC can be found below:

<https://www.gov.uk/guidance/off-payroll-working-for-clients>

N.B. The worker’s intermediary is able to set against its own Income Tax and NICs liability in the tax year, an amount equivalent to the payment received from the fee-payer which has already had Income Tax and NICs deducted.

An annual declaration is now required to be signed by the Head Teacher confirming compliance with IR35 and that Governors have been briefed on IR35 legislation and the approach the school takes to ensure compliance