

Important Information for Current & Future University of Essex Suppliers

Changes to IR35 Tax Legislation & Procurement

The Chancellor of the Exchequer's autumn 2016 statement confirmed that from 6 April 2017 the Government will introduce tax changes which will result in increased responsibilities on public sector organisations who engage Personal Service Company (PSC) contractors.

The generally accepted definition of a PSC is a limited company that typically has a small number of individual shareholders owning 5% or more of the company including the contractor.

The contractor's PSC generally supplies professional services to end user clients, either directly or via an agency. The professional services are delivered by the contractor who is also an owner of the business.

[The new legislation](#) aims to ensure that individuals who work through their own company pay employment taxes in a similar way to employees, where they would be employed by the public sector organisation were it not for the PSC or other intermediary that they work through. From 6 April 2017, where the University (or one of its subsidiaries) engages a contractor through a PSC, the University (or its subsidiary) will be responsible for assessing whether the off-payroll rules (often known as IR35) apply. If they do, the University will be liable and responsible for operating payroll and paying the correct taxes to HMRC.

This means the supplier will have to agree to be paid through our payroll system with the payment being subject to withholding for PAYE, National Insurance Contributions (including employer) and an apprenticeship levy.

You can check the [HMRC website](#) to see if IR35 legislation applies to your company. You can also carry out a self-assessment using the [HMRC tool](#) on their website.

Why Buyers Need to Know About IR35

The University is responsible for ensuring that suppliers who are in the realm of IR35 legislation are paying the correct amount of tax. If we do not and are audited by HMRC the taxes and fines would be considerable. Therefore it is important we confirm supplier payment information before you can start working for us.

IR35 & Lower Value Purchases

All employees are required to follow the Financial Regulations. The regulations contain thresholds and detail the required procurement process linked to expenditure.

If you are invited to provide a quote for services, supplies or works you will be asked what type of company you are so have a look at the HMRC website above for more information.

IR35 & Tendering

If the purchase or contract is valued at £150,000 and greater, the contract opportunity will normally be advertised for competitive tender. The formal tendering exercise will include a supplier capability or “due diligence” stage, which usually comprises of suppliers completing a Selection Questionnaire. At this stage suppliers will need to indicate what type of company they are so have a look at the HMRC website above for more information.

New Supplier Setup Process

After the tendering or quotation process is completed and before the supplier is paid, new suppliers will need to be set up for payment on the University’s financial system. Suppliers should note that IR35 confirmation will also be captured at this final stage, if it has not been captured earlier in the procurement process.

More Information

Suppliers are advised to check the [HMRC website](#) to see if IR35 legislation applies to their company. You can also carry out a self- assessment using the [HMRC tool](#) on their website. If you have any further questions about procurement and IR35 please contact Daniel Montague in the Procurement Team:

Contact details : Procure@essex.ac.uk



University of Essex