

Please Note: This communication is for informative purposes and may not affect you



HMRC continue their attack on umbrella companies offering loan schemes, and now the Advertising Standards Agency (ASA) are also taking an interest.

The Williams Gordon website claimed that you could “take home up to 92% of your pay” and that they’re “fully compliant with the necessary HMRC legislation and with all current IR35 policies”.

HMRC’s understanding of the contractor loan scheme is that:

- contractors in this scheme are employed by an umbrella company which supplies the contractor’s services to their end-client
- the umbrella company invoices the end-client and retains 10% as a fee
- the umbrella company pays the contractor a salary at, or just above, the National Living Wage but below the limits for tax and National Insurance
- the balance of the invoice is paid to the contractor in the form of a loan with terms that mean it’s unlikely to ever be repaid

Loans like this are no different to normal income and should be taxed in the same way as any other employment income.

The ASA ruled that claims made by Williams Gordon are misleading and must be withdrawn.

It also ruled that the Williams Gordon website “misled by omission” - by failing to mention the many government tools and policies aimed at the avoidance they were promoting.

This includes the [General Anti-Abuse Rule](#) and the [loan charge on disguised remuneration loans](#) outstanding on 5 April 2019.

The Williams Gordon website also fails to highlight that the contractor loan scheme offered is a form of tax avoidance which HMRC believes doesn’t work.

All users will be subject to an enquiry by HMRC and will be affected by the loan charge if they don’t settle their affairs before 5 April 2019. As well as any extra tax due, penalties may also be chargeable.

Please see the link here: [Contractor loan schemes: misleading advertising \(Spotlight 42\)](#)

Please take extreme care if you are offered a high retention of gross to net by an umbrella company claiming to be HMRC compliant. The purpose of an umbrella company is to treat all income earned as employment income, any deviation from this introduces a very high risk of non-compliance with HMRC rules and exposes you to risk of tax demands and penalties further down the track.

In other news, a high profile news presenter paid via her Personal Service Company was found to have incorrectly deemed herself to be outside IR35. She had to pay £419,151 in backdated tax and national insurance contributions in respect of the 6 years from 2006 to 2012.

[View news article](#)

We are finding that many workers are switching to PAYE to simplify their tax affairs and give total peace of mind. If you are not currently PAYE, and would like to change, please speak to your consultant or contact candidateservices@ywrec.com

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