

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



Dear Candidate,

HMRC are focussing on umbrella companies in the Healthcare sector and have recently issued further 'Spotlights' regarding schemes set up to avoid tax.

As your agency, we want to keep you up to date, and strongly recommend you take independent advice if you have concerns regarding your tax affairs.

**Spotlight 54: Tax avoidance promoters targeting returning NHS workers**

HMRC is aware that unscrupulous promoters of tax avoidance schemes are targeting workers returning to the National Health Service (NHS) to help respond to the coronavirus (COVID-19) outbreak.

If you are returning to work for the NHS, HMRC is warning you to be very careful not to sign up to these schemes, which HMRC considers to be tax avoidance.

How do these schemes work?

The schemes being offered all have some common features (including using an umbrella company) although they may be described differently. Usually, the wages will consist of 2 payments to you:

- the first payment is declared as earnings and will go through the umbrella company payroll, often at around National Minimum Wage levels or a flat rate payment, for example, £100 per week
- the second payment, that the umbrella company will claim is not taxable - this payment may be described as a loan, annuity, shares, a capital advance involving mutual, joint or co-ownership, or a payment derived from a revolving line of credit facility, or some other non-taxable form

All of these schemes have one thing in common, and that is to attempt to disguise the true level of your earnings, which would ordinarily be subject to Income Tax and National Insurance contributions.

Some umbrella companies may offer vague explanations of how the schemes work, for example, using your personal allowance more efficiently, and often claiming that you can take home 80% to 85% of your pay.

Please read the below info sheet for the full guidance.

**Click the green button to read Spotlight 54**

**Read Spotlight 54**

**Spotlight 55: Comparison and broker websites marketing umbrella companies are not always what they seem**

HMRC state that most umbrella companies are compliant with tax rules. But there are some promoters of tax avoidance schemes using comparison and broker websites that introduce people to umbrella companies not abiding by the tax rules.

Comparison websites often act as brokers to help people find a suitable umbrella company. They rank and rate the companies based on customer service and fees charged.

The attraction of people using umbrella companies could be claims that they can have higher take-home pay. Sometimes, people are unaware of signing up to companies that involve tax avoidance arrangements.

You will be at risk if you use an umbrella company that involves tax avoidance. You're legally responsible for your tax affairs and paying the correct amount of Income-tax and National Insurance contributions (NICs). These arrangements are never approved by HMRC. As well as the fees you pay to the umbrella company, the arrangements may end up in you paying extra tax and interest. Penalties may also apply.

Please read the below info sheet for the full guidance.

**Click the green button to read Spotlight 55**

**Read Spotlight 55**

Furthermore, the topic of tax avoidance by umbrella companies was featured in a recent BBC Radio 4 Money Box article [Listen Here](#)

The BBC Radio 4 Money Box article was also summarised on the BBC news site.

[Read Here](#)

As your agency, we cannot give you tax advice, but if you wish to discuss this further, or want to change your payment method, please contact [candidateservices@ywrec.com](mailto:candidateservices@ywrec.com)