

Changing times for Public Sector PSC's from April 2017



'boox

Find out what's changing
and how Boox is your lifeline



Changing times for public sector contracting demands a new solution.

From April 2017, there will be a pivotal change to the taxation rules for freelancers and contractors operating a limited company (PSC) and working for a public sector body including: NHS, Social Care, Local Authority, Police and armed forces, Public sector education, BBC and Channel 4, Network Rail.

You need to carefully consider your circumstances and weigh up the options to decide how to operate. You also need to evaluate the risk and what benefits you get so that you don't lose out come April.

What is changing?

From April, the responsibility for determining IR35 status will transfer from the individual operating the PSC to the public sector body they

are working for, even if the assignment is through an agency.

It is highly likely that agencies and public sector bodies will deem most contractors as caught by IR35 and operate "deemed payments", in other words deduct the same amount of tax and NI as they would for an employee. This, together with the removal of the 5% tax-free allowance and the changes to flat rate VAT means that after April, the take home pay between PSC and Umbrella contracting in the public sector will become very similar, although both are probably still better than being employed directly.

If the public sector body decides your contract is caught by IR35, then you will be paid "deemed payments". This means that they will deduct PAYE and National Insurance from your pay, before paying it to your limited company.

Good news for existing PSCs

Boox Public Sector is a range of accounting services specifically aimed at IR35-caught public sector contractors receiving "deemed payments".

You get great accounting software and online tools, along with support from a dedicated client accountant. You can decide the amount of support you want and which package is right for you.

The best bit? The cost of this service starts at just **£42.50** per month + VAT (for a year end service).

To put it in perspective that's 70% less than the average market cost of contractor accounting and cheaper than most Umbrella companies.

Umbrella Company vs Limited Company

When it comes to contracting, freelancing or locum working, there are two common ways to operate and ultimately get paid. There are of course advantages and disadvantages of each so we have collated this information to explain those in simple terms.

Umbrella Company

Umbrella companies offer flexible workers employment through an Umbrella company. They take care of all the tax and national insurance contributions and all the administration. The service is typically very simple and easy to understand. As an employee of the Umbrella company you are entitled to statutory employment benefits.

Limited Company

Limited Companies give you total control of your business activities and traditionally provide you with a higher take-home pay. If you are caught by IR35 you will still need to do all the administration and owning a business comes with legal obligations. The company is a separate legal entity to you and so offers you protection in the event of a claim against your company.



Boox Public Sector Services

The perfect accounting solutions for public sector contractors caught by IR35

Our unique Public Sector services provide you with an affordable service to take the hassle out of your accounting. There are two Public Sector services available.

1

Boox Public Sector (£59 +VAT per month)

2

Boox Public Sector Lite (£42.50 +VAT per month)

What's included?

Online Accounting App	✓	✓	Corporations Tax Returns	✓	✓
Guidance on deemed payments	✓	✓	Secure Bank Feeds	✓	✓
Dedicated Accountant Support	Y/E Service		Mobile Accounting App	✓	✓
Company Incorporation	✓	✓	Quarterly Health Checks	✓	✗
Tax Efficient Pay Advice	✓	✓	Company Secretarial Services	✓	✓
Payroll & RTI Compliance	Y/E Service		Accountants References	2 Per Year	
Year End Accounts Filing	✓	✓	VAT Services and Returns	✓	✗

Full Terms & Conditions are available at: www.boox.co.uk/terms-and-conditions

Optional Extras

We also have a range of additional services available to Public Sector contractors. Please contact us to discuss your individual business needs.

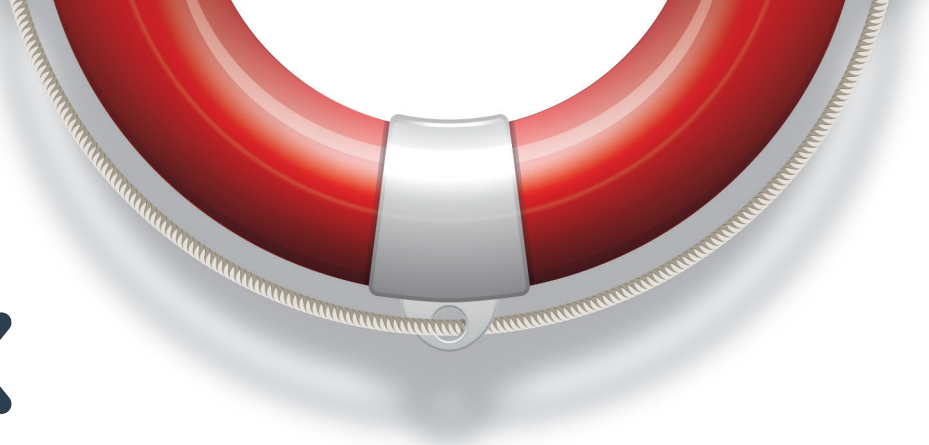
Registered
Office
at Boox

Self
Assessment
Tax Returns

Annual
Return
Filing

Additional
Accountants
References

Fee
Protection
Insurance



Umbrella Company Advantages

Very easy to set up – Registering with an Umbrella company is quick and easy and can often be done online or over the phone. You will just need to sign a contract and submit a few documents to prove your identity.

Very little admin required – To get paid you simply need to submit your timesheet and expenses. Some Umbrella companies even offer SMS pay alerts to give you peace of mind.

Centralised PAYE administration – You don't need to worry about calculating income tax and national insurance contributions, all this is done for you by the Umbrella company.

Statutory employment benefits – Umbrella companies are your employer and will offer you statutory employment benefits. These include at least 28 days holiday, national minimum wage, antenatal, maternity and paternity pay.

Additional cover and perks – Since many Umbrella companies are looking after large numbers of employees, you can also benefit from comprehensive insurance cover and other perks and discounts to add value to the service.

Low risk and low cost option – Working through an Umbrella company is ideal if you wish to trial flexible working before making a longer-term commitment, or if you are only going to be working as a contractor for a short period. You are not bound to any Umbrella business and so you can easily switch to another Umbrella company or you could set up a limited company.

Limited Company Advantages

You are in control of your business - Above all, you are in control of your business activities. Having your own limited company also means you are perceived as an established, professional business.

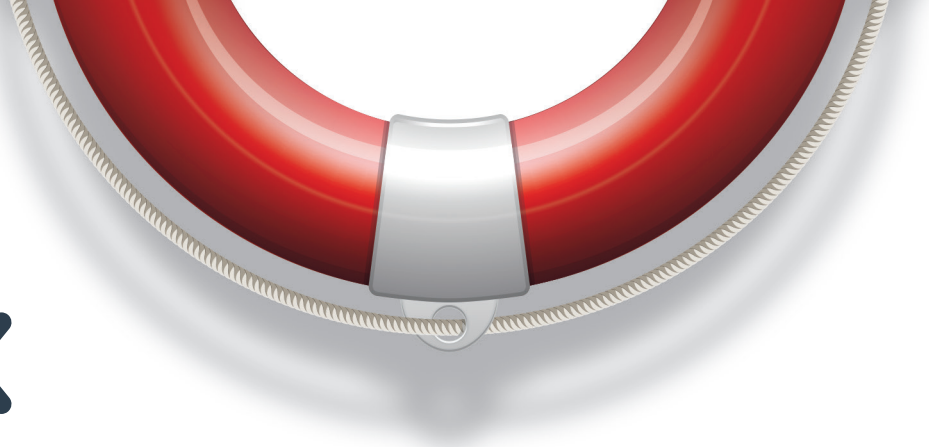
Higher take-home pay – Traditionally a limited company may provide you with a higher take-home pay as you can decide on the most tax efficient way of taking your money (this may not be the case if you are caught by IR35).

You can engage in multiple activities - Since you are running your own business you can undertake activities outside of your normal contracts and if these are not caught by IR35, this part will be outside the deemed payments.

Your company is a separate legal entity to you - Your company is a separate legal entity to you, therefore your personal finances and assets should be protected in the event of a claim against your company.

You can reclaim more expenses - You can put certain business expenses through your company and take advantage of tax relief on lifestyle benefits such as pensions and life insurance.

Avoid the inconvenience of switching services – If you have been operating as a PSC then switching to an Umbrella company will mean changing over to a new system and learning new processes. Also, if you switch agencies it is highly likely that you will need to change Umbrella provider.



Umbrella Company Disadvantages

You have less control of your business – You do not have as much control over your business activities as you would with a limited company. You are also reliant on the Umbrella company processing your invoices and promptly collecting your money.

Umbrella companies are not geared for growth – An Umbrella company will not support your business plans should you want to develop beyond working as a contractor. You are an employee of the Umbrella company.

Other Income – If you earn income outside your contract you will need to find a way of being paid - be it a new Umbrella, limited company or self-employed.

Expenses – Dependent on your Umbrella arrangements you may need to claim tax relief on your expenses through a self assessment tax return or a P87.

Not all Umbrella companies are equal – Whilst if you use an FCSA approved Umbrella company you are safe, there are some less scrupulous operators out there who claim to be “Umbrella Companies”. You need to make sure that any deductions are being paid to HMRC and you are not going to be left with an unexpected tax bill. Remember, if your take home pay sounds too good to be true - it probably is and this could be a tax avoidance scheme that may unravel in the future.

Limited Company Disadvantages

Set up administration – Setting up a company requires you registering a company name, address, directors and creating an articles of association document. You will also need to set up a business bank account. You may have difficulty doing this if you have ever had CCJ's or been made bankrupt.

Legal obligations associated to owning a company - As the Director of a limited company you will be responsible for managing your company accounts and ensuring you are operating in a compliant manner. If you are opening a personal service company you need to consider IR35. IR35 is a set of rules to identify “disguised employees” i.e. workers who would (in HMRC's eyes) be classed as an employee, if you removed the fact they have a Limited company. Although if you are working in the public sector from April the decision will be out of your hands.

You need to meet official deadlines – There are various official deadlines you need to meet including filing your accounts, filing your Company Tax Return, paying Corporation Tax and submitting a personal tax return every year.

You must retain financial records – It is a legal requirement to retain financial records for at least 6 years from the end of the last company financial year they relate to.

You are liable for any cost of closing the company – When you decide to cease trading you are responsible for the cost of closing your business.



Talk to us now!

Don't wait until April. Whether you are new to contracting or wondering how these changes will affect you, call us on **0808 168 0422**.