

HMRC's agency and staff hire concession to continue

Summary

HMRC has confirmed that the concessions outlined in Business Brief 02/04 relating to employment bureaux that employ their own staff and Business Brief 10/04 relating to other employment bureaux will continue until further notice.

Essentially, as a result of these two Business Briefs, the staff-hire concession (which applies to employment bureaux that employ their own staff) and existing arrangement for other employment bureaux were to continue for 18 months after the Conduct of Employment Agencies and Employment Businesses Regulations 2003 took effect in July 2004. At that time (i.e., around the end of January 2006), HMRC was to review the continuing need for the concession. To date, HMRC has not published anything on this matter.

This means that, until HMRC has completed its review and this has been notified by way of a further Business Brief, employment bureaux can continue to choose whether to act as an agent or as a principal for VAT purposes, even though the new regulations may mean that they are, in reality, acting as principals. This choice is also available to employment bureaux which had previously acted as principals when they contracted with self-employed staff to provide services to hirers.

Businesses which are either not VAT registered or which are partially exempt would generally benefit from the staff being supplied by the employment bureau acting as agent and therefore only charging VAT on its commission and any value added services e.g. payroll management rather than on the total employment costs. Contact 4 Eyes Ltd if this is relevant.