

The HMRC employment status tool is available at the following link:

<https://www.gov.uk/guidance/check-employment-status-for-tax>

### **What is the purpose of the HMRC employment status tool?**

HMRC introduced rules called the IR35 intermediaries legalisation (also called off-payroll working rules). These rules apply if a contractor is providing their services through an intermediary but would be an employee if they were contracted directly. An intermediary is usually a personal service company i.e. a company that sells the work of an individual or group of individuals and which is owned and operated by that same individual or group of individuals.

Where the IR35 rules apply, tax and national insurance need to be deducted from payments to contractors and paid over to HMRC.

The HMRC employment status tool ('HMRC test') helps organisations to determine the employment status of contractors and whether payment should be made to them with or without tax and national insurance deductions.

### **How do the IR35 rules impact on RGU?**

RGU is responsible for deciding the employment status of contractors and hence whether payments should be made gross or with tax and national insurance deductions. As a result, RGU needs to ensure procedures are in place to determine the employment status of contractors.

Once RGU has determined the employment status of the contractor, the contractor should be informed of the decision.

### **What are RGU's procedures to determine the employment status of suppliers?**

The hiring School / Department must complete a HMRC test for the contractor using the above link. The answers provided in the HMRC test should accurately reflect the nature of the engagement.

The authorisation form should be completed to confirm the HMRC test accurately reflects the nature of the engagement.

The contractor must be informed of the result of the HMRC test.

### **How should a HMRC test be completed?**

1. The HMRC test should be completed accurately and honestly to ensure the answers reflect the nature of the engagement.
2. For the question 'What do you want to find out?' choose
  - If the off-payroll working rules (IR35) apply to a contract - where the contractor is trading through a limited company, partnership or unincorporated body; or
  - If some work is classed as employment or self-employment for tax purposes - where the contractor is an individual who is not trading through a limited company, partnership or unincorporated body.

## Tax guidelines for payments to contractors

3. Click yes to the question 'Do you want to add some details to this document?' and fully complete the information as follows:
  - the file name should be 'HMRC test – [name of contractor]';
  - your name should be the name of the person completing the HMRC test;
  - your organisation's name should be RGU;
  - the contract or role title should be a description of the services being provided; and
  - other information should be the name of the contractor.
4. Save the HMRC test as a pdf and send it to the Legal department with the completed authorisation form.

### **What do the HMRC test results mean?**

<b>HMRC test result</b>	<b>Method of payment</b>	<b>Processing department</b>
Off-payroll working rules (IR35) do not apply	Payment in full with no tax and national insurance deductions (Gross)	Accounting Services
Off-payroll working rules (IR35) apply	Net of tax and national insurance deductions	Payroll
Self-employed for tax purposes for this work	Payment in full with no tax and national insurance deductions (Gross)	Accounting Services
Employed for tax purposes for this work	Net of tax and national insurance deductions	Payroll
Unable to make a determination	Net of tax and national insurance deductions	Payroll

If you require assistance with the HMRC test or have any questions, please contact Martha Murphy on 01 22426 2603 or [m.murphy5@rgu.ac.uk](mailto:m.murphy5@rgu.ac.uk)