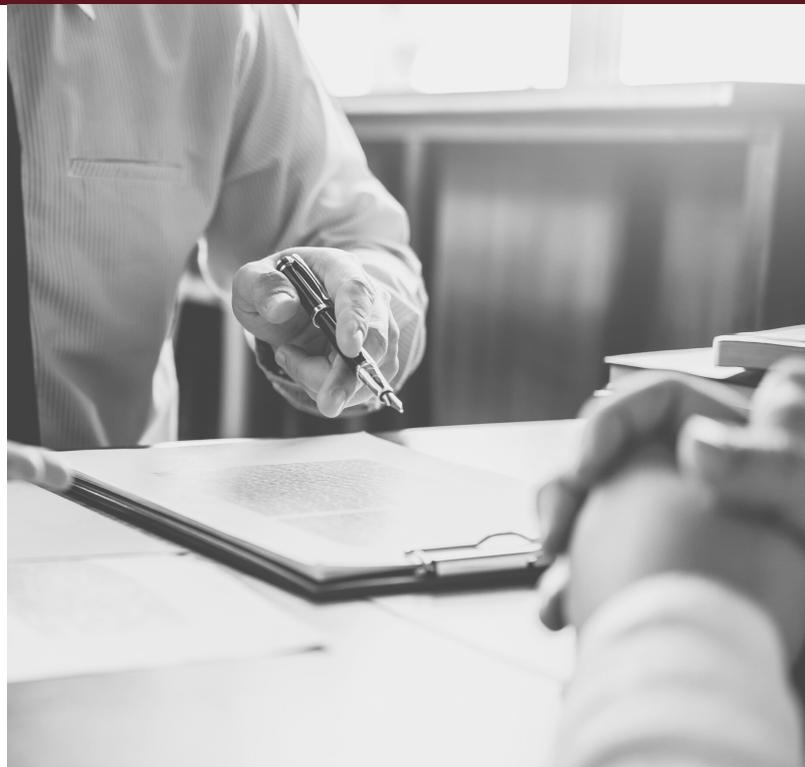


# GUIDE TO WORKING THROUGH A PAYROLL UMBRELLA COMPANY

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**Competex Pro**



# WELCOME

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If you have picked up this guide, it is because you are either embarking on your journey as an independent professional or have been working this way for some time. In either case, Competex Pro can be of service to you and we hope this content clarifies the process for you.

We provide employment services for contractors, consultants, interim managers and other independent professionals who are required to work under the payroll umbrella company model.



Whether you are a contractor working under IR35, or for any other reason are expected to work independently of your end-client, working through Competex Pro allows you to retain your independence and claim certain tax-deductible expenses that might not otherwise be available to you.

This guide details all our working processes and the steps you need to take to begin working with us.

If you have any questions, or need anything in this guide clarified, please get in touch.

**Charles Fowler**

PRINCIPAL DIRECTOR

# IR35

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## What is IR35?

IR35, also known as the Intermediaries Legislation, was introduced in the year 2000 and was designed to collect additional tax and NI from contractors who HMRC believed to be working in 'disguised employment'.

Disguised employment is where the working practices and wording of a contract are similar to that of an employee, but where the contractor enjoys the tax benefits of working through an intermediary, such as a limited company, also known as a personal service company (PSC). When a contractor is seen to be in disguised employment, they are deemed to be 'inside' or 'caught by' IR35.

The 2000 IR35 rules state that if your contract is inside IR35, then 95% of the fees you earn (less certain allowable expenses of employment, which include pension premiums) must be paid as salary to the contractor who has carried out the work.

For contractors working in the Public Sector, and now for those working for larger end-users (referred to here as end-clients) in the Private Sector, the new 'Off-Payroll Working' rules apply.

## What are the Off Payroll Working rules?

The 'Off-Payroll Working' rules (first introduced into the Public Sector in April 2017), state that the end-client is now responsible for determining the IR35 status of the contract, rather than the contractor as was the case in the 2000 legislation.

If the contractor is found to be inside IR35, they must either:

- Go on to the payroll of their end-client
- Work via a payroll umbrella company
- Use a PSC but be taxed according to new regulations

There is new Off Payroll Working legislation written for the Private Sector (sitting in draft form in the Finance Bill 2019/2020 and currently under review by the Treasury),

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which is on track to be introduced in April 2020. Therefore, contractors working in the Private Sector need to be sure whether their contracts are likely to be caught by IR35, and if they are, must weigh up their options.

If you are not required to go on the payroll of your end-client, you can either switch to working via a payroll umbrella company such as Competex Pro (recommended) or you can continue to work through your PSC (which is becoming more costly and difficult).

This guide is designed to give you clear, detailed information about how to work through our payroll umbrella company, Competex Pro.

## **How will taxation change for contractors working via PSCs who are found to be inside IR35?**

PSC contractors will be taxed in a different way under the new rules. If the contract is caught by IR35 and the contractor is working via a PSC, then the 'fee payer' (agency or end-client) is required to deduct tax and Employee's National Insurance on the contractor's earnings, and to pay this to HMRC together with Employer's National Insurance, before paying the net amount to the PSC.

There are also the following issues:

- Fees are normally taxed at the 20% basic rate unless the fee payer is advised to do otherwise by HMRC. Contractors should therefore be prepared to pay additional tax if appropriate after submitting their annual self-assessment tax return.
- The 5% allowance for business expenses has been removed. This means that 100% of the fee income paid to the PSC by the fee payer is treated as taxable income, rather than 95% as in the original IR35 legislation. The contractor would still need to pay for the costs of running their PSC (such as accounting fees, IT, communications and marketing costs), and would have to do so out of taxed income (meaning they lose money).

# IR35

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- There is no provision in the 2020 draft legislation for fee-payers to contribute to Off Payroll Workers' pensions if working via a PSC. Therefore, PSC contractors would need to make contributions out of taxed earnings.

All the above issues can be avoided by working via a payroll umbrella company such as Competex Pro, which we recommend if your contract is inside IR35.

## **Do the Off Payroll Working rules apply to those working via a payroll umbrella company?**

Not with regard to taxation as it is the payroll umbrella company that deducts tax and NI, rather than the fee payer (agency or end-client).

It is however, still paramount that the IR35 status of the contract is determined and communicated to all parties in the supply chain, even if the contractor is working via a payroll umbrella company. The status will determine whether HMRC will allow tax relief on certain expenses (such as commuting). If a contractor is working via a payroll umbrella company but is outside IR35, then commuting expenses are allowable for tax relief, which is not the case if the contractor is inside IR35.

If Competex Pro is found to be reclaiming expenses incorrectly on your behalf whilst you are working on assignment under IR35, then HRMC advise that the expenses will be reclassified as income, and tax and NI will be due on the income. Furthermore, they could at the same time instigate an unwelcome investigation.

## **What determines whether or not my contract falls inside IR35?**

The question of whether or not a contract is deemed to be inside IR35 depends on a variety of factors, relating to both the contract itself and the contractor's working practices. There are three employment tests designed to help engaging organisations make this assessment, along with a number of additional factors that HMRC takes into consideration.

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## **The employment tests**

### ***The 'direction, supervision and control' test***

This test focuses on the level of autonomy given to the contractor. HMRC considers contractors to have more autonomy when it comes to choosing the work that they do, while employees are more likely to be assigned tasks by their employer. This can however depend on the individual's skill and expertise, as a highly skilled employee is likely to enjoy a greater degree of autonomy than a less experienced contractor.

The “direction, supervision and control” test asks the following questions of a contractor's working practices and the wording of the contract itself:

- Direction: is the contractor told how to do the job at hand?
- Supervision: is the contractor supervised while they carry out their work?
- Control: does the engaging organisation have control over aspects of the contractor's working practices, such as their work schedule?

If the answer to any of these questions is “yes”, then there's a chance that the contractor might be inside IR35.

### ***The 'substitution' test***

The test of substitution considers whether the engaging organisation would be prepared to accept someone else to do the contractor's work in the event of the contractor being unavailable. If the engaging organisation would not be prepared to do this and would only accept the personal service of that particular contractor, it would suggest that a traditional employment relationship might be in place and that the contract could therefore be inside IR35.

### ***The 'mutuality of obligation' test***

In the context of employment, mutuality of obligation (MOO) means that one party – the employer – is obliged to provide work and the other party – the employee – is obliged to accept it.

# IR35

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However, unlike employees, contractors have no obligation to accept work and unlike employers, the companies that engage them have no obligation to provide it.

Therefore, as MOO is a feature of an employment relationship, if it is present in a contract, it suggests that the contract might be inside IR35.

When assessing a contractor's working practices and contract, there are certain factors that would indicate that MOO isn't present and that an employment relationship, therefore, doesn't exist. These include:

- The use of specific projects with set end dates
- The ability for either party to stop the work with very little notice

## **Additional factors that might affect a contractor's IR35 status**

HMRC doesn't just consider the outcome of the three employment tests when assessing a contractor's IR35 status. It looks at a wide range of factors that might indicate that the contractor is "part and parcel of the organisation" and that a traditional employment relationship might, therefore, be in place. These factors include:

- The contractor having an email address at the engaging organisation
- The contractor having permission to use company equipment
- The contractor receiving the same company 'perks' as their employed colleagues
- The contractor being line managed in the same way as their employed colleagues

## **IR35 Contract Reviews**

An independent contract review highlights each relevant clause within your contract and details why it is a pass or a fail for the IR35 legislation. Remember, however, that your working practices are paramount, so they will be scrutinised and individual methods of working will also be judged to be either a pass or a fail. If appropriate, guidance and suggestions will be provided as to how to make your contract and working practices more robust.

# IR35

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Be aware that it is the end-client who is responsible for determining the IR35 status of a contract, and so you would only seek a contract and working practices review in the event of a disagreement or to get an idea of what to expect and help you plan accordingly. However, if you were to be subject to an HMRC IR35 enquiry for any reason, it would then demonstrate that you have taken 'reasonable steps' to ascertain your status.

## **IR35 resources**

Competex - [IR35 Explained](#)

HMRC - [Understanding Off Payroll Working](#)

# WHAT IS A PAYROLL UMBRELLA COMPANY?

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A payroll umbrella company is a company that employs freelance workers (here referred to as 'contractors'), who may work on numerous different assignments, at various locations, either through agencies or directly for end-clients. The payroll umbrella company enters into an employment contact with the contractor and a service contract with the agency or end-client.

Working through a payroll umbrella company differs from working through your own limited company (PSC) in that the freelance worker does not own shares in the payroll umbrella company and is one of many such workers employed by the company.

Payroll umbrella company working through Competex Pro is most suited to contractors, consultants, interims and other independent professionals, particularly those caught by IR35 under the Off-Payroll Working rules.

## **How does a payroll umbrella company work?**

When you work through a payroll umbrella company, you work as an employee of the company. Your contract of employment is with the payroll umbrella company and not with the end-client or agency.

The terms of your contract of employment are largely in line with the terms of any other contract of employment (e.g. disciplinary, health and safety, etc), but with certain differences to take account of the unusual circumstances of a payroll umbrella company. You negotiate the terms of your contract with the end-client or agency on behalf of the payroll umbrella company, but the resulting contract is between the payroll umbrella company and the end-client or agency.

Having negotiated your fee and any arrangement for the end-client to pay expenses, you need to advise the payroll umbrella company so that this detail can be incorporated into the contract with the end-client or agency and into your salary payment structure.

Once the contract is agreed, arrangements relating to salary and expenses cannot be amended before or during the course of an assignment.

# WHAT IS A PAYROLL UMBRELLA COMPANY?

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## **Is working via a payroll umbrella company as tax-efficient as working via a PSC if I am inside IR35?**

Yes, if the payroll umbrella company's procedure is to pay reasonable HMRC-approved expenses and pension contributions to the contractor free of tax (as Competex Pro does). As such, this constitutes a very tax-efficient solution for the contractor and can be comparable to limited company working outside of IR35.

Competex Pro, launched in 2017, has proven to be a professional, simple, easy and tax-efficient way of working under these rules, and draws on Competex's 20+ years of specialist accounting experience in the contractor market. We will ensure that expenses you recharge to your end-client are taxed correctly in your hands, and that any allowable expenses are deducted before calculating tax and NI due.

Competex Pro is set up in a way that allows you to:

- Claim bona fide costs of employment for your current contract, free of tax
- Pay contributions into your chosen pension scheme, free of tax (see page 14)
- Be fully covered with Professional Indemnity insurance, at no extra cost to you
- Keep running your limited company and easily switch between IR35 and non-IR35 assignments, knowing your accountant and personal tax adviser are being kept in the loop
- Gain access to tools and resources to help you navigate the new legislation (e.g. to help you calculate your take-home pay and set your daily rate)
- Gain access to advice and support from our specialist accounting team
- Have peace of mind knowing everything is being run smoothly and efficiently with your agency or end-client and any issues are being responded to
- Project a professional image to your agency and end-client.

# WORKING THROUGH COMPETEX PRO: TERMS OF EMPLOYMENT

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## **Contract of Employment**

When you work via Competex Pro, you become an employee of the company and not a director or shareholder, unlike when working through your own limited company (PSC). You will receive your income as salary (plus expenses if applicable) and not as dividend.

Your contract of employment is with Competex Pro and not with the end-client or agency. The terms of your contract of employment are largely in line with the terms of any other contract of employment (e.g. disciplinary, health and safety etc) but with certain differences to take account of the unusual circumstances of employment by Competex Pro as a payroll umbrella company.

When working through Competex Pro, you work under an ‘overarching’ contract of employment (see page 12), which is worded to provide continuous employment covering multiple assignments for different end-clients at different temporary locations, so that you may claim certain travel and subsistence expenses.

As a matter of good practice you are expected to work on the assignment until the assignment is ended and to complete it to the end-client’s satisfaction. To do otherwise would jeopardise your own reputation.

## **Identity**

We are required to carry out identity and background checks for all employees. If you are not an EU national, you will be required to supply us with certified copies of your visa and work permit.

## **Professional Capacity**

It is your sole responsibility, and not our responsibility, to verify whether the work proposed under an assignment is suitable for you, and your placement on an assignment will not be based upon any representation made by us in relation to the work involved.

# WORKING THROUGH COMPETEX PRO: TERMS OF EMPLOYMENT

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You are not entitled to subcontract any part of the services being provided to the end-client without the agreement of all parties concerned.

## **Employment Agency Regulations**

If working on an assignment through an agency, we would expect you to give us authority to opt out of the Employment Agency Regulations.

These regulations affect the relationship that you and we have with the agency, and the relationship that the agency has with the end-client. By default both you and Competex Pro are opted in to the regulations, meaning that the agency must pay our fees for the work you do for the end-client regardless of whether they have been paid by the end-client. There is therefore a degree of protection if we are opted in.

However, if we are opted in, the agency becomes involved in laborious compliance work, and for this reason they would normally be reluctant to offer assignments. Therefore it is usual for interims and senior independent professionals to opt out of these regulations.

This is done by signing a declaration before being introduced to the end-client, and you may do this on behalf of Competex Pro. The agency will explain all the various implications in greater detail if required and will assist with the documentation.

## **Place of work**

In legal terms, your 'permanent place of work' will be our company offices, although we would not expect you to attend our offices at any time. Your 'contract site' will be the location where the end-client has asked for you to provide your services. This arrangement determines the end-client's premises as a 'temporary workplace' and therefore enables travel and subsistence expenses, other than commuting between home and work, to be claimed (see page 17). There may, of course, also be occasions when it is appropriate for you to work from home.

# WORKING THROUGH COMPETEX PRO: TERMS OF EMPLOYMENT

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## **Working hours and rest periods**

Because you will always be working away from our offices, you will not have any basic hours of work set by us. You will be responsible for regulating your own working time, and for taking appropriate breaks, as arranged and agreed with your end-client.

## **Holidays and other absences from work**

Because your employment is not one of full time work and involves working flexible hours, we are obliged to pay you holiday pay based on the number of days that you work. Your entitlement will be calculated every time you are paid and will be separately itemised on your payslip.

Because unexpected absence, or absence due to illness, could result in a breach of obligations owed to the end-client, it is important that you notify both Competex Pro and the end-client promptly on any day you are absent, and that you give your best indication as to how long you will be away.

Your end-client would normally require you to complete timesheets for them to approve, before arranging to pay your fee income to Competex Pro. Competex Pro will pay you on a weekly basis, usually no later than three working days after payment is received from the agency or client in respect of any timesheet.

## **Termination of assignments in the case of non-payment by the agency or end-client**

Competex Pro reserves the right to terminate an assignment with immediate effect if the agency or end-client fails to pay an invoice within 14 days of submission.

In such a case you should not provide any further services until the agency or client satisfies us that they will, in future, meet their obligations for payment.

# WORKING THROUGH COMPETEX PRO: TERMS OF EMPLOYMENT

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## **Overarching contracts of employment – an explanation**

The key issue is that if your contract of employment with Competex Pro were to relate to only a single assignment, the end-client workplace would automatically become your permanent place of work, and we would then not be permitted to claim travel expenses from the agency or end-client on your behalf.

In principle, HMRC permits travel expenses to be claimed only if you are travelling to and from a temporary place of work. However, as a contractor, you would normally work on different assignments in different locations for a limited duration in each case.

To overcome this issue, your contract of employment is worded to provide continuous employment covering multiple assignments, each carried out with different clients at temporary places of work. This form of contract has become known as an ‘overarching’ contract.

HMRC define a temporary place of work as follows: “A workplace is a temporary workplace if an employee goes there only to perform a task of limited duration or for a temporary purpose. Therefore, even where an employee attends a workplace regularly, it will be a temporary workplace and so not a permanent workplace, if the employee attends for the purpose of performing a task of limited duration or other temporary purpose.”

Expense claims for travel are also subject to the '24 month rule', which stops a workplace from being a temporary workplace when an employee attends it in the course of a period of continuous work that lasts, or is likely to last, more than 24 months. For this reason you cannot be paid travel expenses once it becomes evident that an assignment will continue beyond 24 months duration.

# WORKING THROUGH COMPETEX PRO: GETTING PAID

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The fees and expenses received by Competex Pro for the work that you undertake on assignment are kept in a ring-fenced 'fund' that is personal to you and devoted entirely to supporting you as one of our 'employees'.

## **Your salary**

After deducting a small 'margin' to pay our costs, the remainder of your fund will be used for paying your salary and the other costs of your employment.

Certain costs of employing you will be deducted from the fund and paid to the relevant authorities, as follows:

- Employer's National Insurance (to HMRC)
- Employer's 'automatic enrolment' pension contribution (to NEST - see page 14)

Certain expenses relating to you will be deducted from the fund and either paid out on your behalf or itemised separately on your payslip:

- Personal pension contributions – allowable by HMRC under a salary sacrifice scheme and paid out on your behalf
- Travel and subsistence expenses – free of tax (if allowable and appropriate). See page 17.

## **Method of payment**

The amount we pay to you will be made up of four component parts:

- Basic pay - this is calculated on the basis of a standard 7 hour day paid at a rate equivalent to the national minimum wage.
- Holiday pay - this is based on the number of days worked (calculated at national minimum wage rate), as explained above.
- Bonus - this is the balance of the amount available from the monies generated by you from your assignment and paid by the end-client to us. The amount will fluctuate depending upon what, if any, expenses are paid out by Competex Pro on your behalf, by way of salary sacrifice.
- Expenses - the payment of expenses free of tax depends on the nature of your work (see page 16).

# WORKING THROUGH COMPETEX PRO: GETTING PAID

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Although calculated as described above, the basic pay and bonus are brought together as a single figure on your payslip and referred to as 'pay'. Holiday pay and expenses are itemised separately.

## **Employer's National Insurance**

This is calculated as 13.8% of weekly gross salary above the Primary Threshold (PT).

## **Automatic enrolment pension contributions**

Under new legislation now in force, all 'eligible jobholders' must be enrolled into, and must contribute into a qualifying workplace pension scheme. The employer must also contribute into the scheme. New employees will be enrolled into the scheme three months after their start date.

Competex Pro is enrolled with the National Employment Savings Trust (NEST) for Auto Enrolment purposes. The total contribution is 8% of qualifying earnings, made up of 5% from the employee and 3% from the employer.

Having enrolled into the scheme, you do have the opportunity to opt out of the scheme, but under no circumstances must any employer influence such a decision. Details regarding opting out may be found at [www.nestpensions.org.uk](http://www.nestpensions.org.uk), and it is strongly recommended that you familiarise yourself with these provisions.

It is vital that you decide whether you wish to be enrolled with NEST or make different arrangements, and make any decision to opt out within the required time frame.

## **Personal pension premiums**

Contributions to a personal pension scheme may be paid by Competex Pro directly to your chosen pension provider by way of salary sacrifice, which means that you will not pay tax or NI on these contributions. This is entirely at your discretion and by individual arrangement with Competex Pro.

# WORKING THROUGH COMPETEX PRO: GETTING PAID

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We are not authorised to advise on the permissible level of pension contributions, and you should obtain this advice from your personal financial adviser.

## **Holiday pay**

As an employee, you have a statutory right to be paid annual leave equivalent to 28 days (inclusive of public and bank holidays) in a full year.

Holiday pay will be paid out of your fund and will appear as a separate item on your payslip. The calculation is based on the number of days worked and calculated as 12.07% of salary.

For the record, there are two different ways of treating holiday pay. This may either be withheld and paid when the employee is on holiday, or it may be rolled up and paid on each pay day on account of holiday yet to be taken. Competex Pro has adopted the latter option in order to pay out maximum monies to employees at the earliest opportunity.

## **Maternity/paternity pay**

As an employee, you have a statutory right to maternity/paternity pay if the circumstances arise. This is mainly funded by the state, but it requires some advance planning, and if appropriate you should contact us as early as possible, so we can set this up in our payroll software. Any employer liability would be paid out of your fund.

# WORKING THROUGH COMPETEX PRO: CLAIMING EXPENSES

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## **Personal expenses for employees**

It is important that all employees understand the basis on which personal expenses are paid.

Firstly, all expenses must be bona fide expenses permitted by HMRC.

As explained elsewhere, all expenses are paid out of the ring-fenced fund created for each employee from the fees that he or she earns on assignment. After paying expenses, the remaining funds are used to pay salary and the costs of employment (Employer's NI, etc). If expenses increase, then salary reduces, and vice versa. However, it is obviously more tax efficient to use available funds first to draw expenses which are untaxed, and then to pay salary which is taxed.

## **Claiming expenses – the mechanics**

As in any company scenario, particularly in the professional field, there is a distinction between the fees and expenses that a company charges to its clients, and the salary and expenses that a company pays to its employees.

The employee (contractor) negotiates the fee with the end-client, on behalf of Competex Pro, even before he or she starts working for the company, and then almost the entire income earned by the employee is preserved in a ring-fenced 'fund' for the benefit of that employee and used to pay his or her salary and all other costs of that employment.

As far as claiming expenses from the end-client is concerned, the agreement with the end-client as to what expenses may be charged is also negotiated in advance by the employee, again acting on behalf of Competex Pro. Having negotiated what may be charged, the normal arrangement then is to use the end-client's own expense claim form to claim agreed expenses, or to set out the expenses in a format acceptable to the client. Details of the expenses claimed are then usually emailed by the employee to Competex Pro as soon as they are available, so that we may charge the end-client and the end-client may then pay us (but see page 17 if working through an agency).

# WORKING THROUGH COMPETEX PRO: CLAIMING EXPENSES

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As far as paying expenses to the employee is concerned, the expenses that may be paid free of tax and NI are determined entirely by HMRC regulations. In particular, it may be that the payment of certain expenses has been negotiated with the end-client but that these expenses may not be paid on to the employee free of tax and NI. This means simply that the 'fund' available to pay salary is increased.

You should claim your expenses directly from Competex Pro using a suitable expense claim form, and you should attach or email scanned copies of invoices or receipts as appropriate.

## **Claiming expenses – working through an agency or provider**

Many of the larger agencies have well developed systems whereby they 'automatically' charge end-clients agreed fees and expenses based on the timesheets that you complete. Often these agencies will then 'self-bill' Competex Pro (i.e. create an invoice from Competex Pro to themselves) and then email this to us followed by payment within a few days.

Each agency operates a slightly different system, and you will need to follow their guidance.

## **Travel and subsistence expenses**

Under the Off Payroll Working rules, if you are working under an IR35 contract, or if you are working under the 'supervision, direction and control' of your end-client (see page 16), you are not permitted to receive travel expenses free of tax in respect of travel to and from your end-client (i.e. commuting expenses). However, if exceptionally you travel to a location that is not your normal end-client workplace, say to attend a one-off business meeting at a site you don't usually visit, you may receive payment of these expenses free of tax.

If you are working under IR35, you may still negotiate for Competex Pro to charge the end-client for regular travel expenses, but these will be taxed in the same way as and together with the rest of your salary. Alternatively, of course, you may be able to increase your daily rate to compensate for not claiming expenses.

# WORKING THROUGH COMPETEX PRO: CLAIMING EXPENSES

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On the other hand, if you can demonstrate that your assignment does not come under IR35, that you are not working under the supervision, direction and control of your client, and that the assignment will not last for more than 24 months, and if the end-client accepts this, then you may be paid travel expenses without deduction of tax.

Travel and subsistence includes:

- Train and bus fares
- Mileage
- Meals
- Hotels
- Congestion charges
- Car hire
- Parking
- Rented accommodation
- Air fares

## **Charging travel expenses to and from home**

Although you become an employee of Competex Pro, the new rules define your normal place of work not to be at Competex Pro's offices but to be at your end-client's location, or wherever you expect to spend more than 40% of your working time. This means that you may not be reimbursed, free of tax, for the cost of travel between your home and your end-client's offices.

If your end-client is in agreement, there is no reason why you should not agree for Competex Pro to charge for daily travel (and/or any other expenses that they are prepared to pay) in addition to daily fees, but HMRC do not permit these expenses to be paid to you free of tax and NI. However, receiving payment for such expenses will increase the size of your 'fund', and therefore the amount available to pay you as salary.

# WORKING THROUGH COMPETEX PRO: CLAIMING EXPENSES

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## **Charging travel expenses for exceptional journeys**

You may arrange for Competex Pro to charge the end-client for the cost of travel to and from any other location that you need to visit on an exceptional basis, and these expenses may be paid to you free of tax and NI out of your 'fund', whether or not your end-client has agreed to pay Competex Pro. These claims should relate to actual journeys from either your home or from your end-client's workplace, depending on your start point.

## **Other expenses**

Other expenses you may claim from Competex Pro, and payable free of tax and NI include:

- Personal pension contributions (paid directly to a pension provider)
- Professional memberships
- Certain training courses relating to your current work
- Eyesight tests
- Itemised telephone calls

All these expenses must be supported by relevant receipts.

All expenses, including any amount to be paid directly to a pension provider, are normally paid at the time of paying you. Your fund would need to be sufficient to cover these expenses after paying your basic salary at National Minimum Wage and holiday pay. Therefore, a certain amount of planning may be required and appropriate arrangements would need to be made with the provider, particularly in the case of pension contributions.

All claims for expenses should be made directly to Competex Pro and, except for scale rate subsistence claims (see page 20), should be supported by relevant receipts. However, please be aware that Competex Pro has a responsibility to ensure that all expenses that are incurred are wholly, exclusively and necessarily for the business (i.e. they must be both reasonable and genuine).

# WORKING THROUGH COMPETEX PRO: CLAIMING EXPENSES

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## **Staying away from home on an irregular basis**

Competex Pro will pay the cost of hotel accommodation, and the reasonable cost of meals taken while you are staying away from home, but you must be able to illustrate that you were travelling on business away from your normal place of work.

You may also claim a nightly allowance to cover the cost of personal incidental expenses while you are staying away from home overnight on business. The scale allowance set by HMRC is £5 per night spent away from home in the UK or £10 per night spent outside the UK. This is intended to cover items of a personal nature such as newspapers, laundry and telephone calls home, but if you have been charged for these things on your hotel bill, you should not also claim the scale allowance.

Competex Pro will pay the cost of staying in rented accommodation provided you always return home on days when you are not working. If you choose to stay in the rented accommodation on days when you are not working (e.g. the weekend or holidays) you may claim the cost of rental only for the days when you are working.

If you choose to stay with friends or family, you may pay for and claim the cost of the accommodation but you must obtain a receipt for the payment, on the basis that the recipient would include the income in his/her tax free 'Rent a Room' allowance of £7,500.

## **Subsistence allowances**

HMRC allow you to claim for reasonable subsistence, provided you retain receipts to support any claims.

Alternatively, if you have not retained the receipts, you may claim HMRC scale rates as set out below. HMRC scale rates are based entirely on journey time and are as follows:

- Journey time of 5 hours - £5
- Journey time of 10 hours - £10
- Journey time of 15 hours (and continuing beyond 8pm) - £25

# WORKING THROUGH COMPETEX PRO: CLAIMING EXPENSES

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## **Mileage**

The normal rules for mileage apply to Competex Pro employees.

When you negotiate for the end-client to pay expenses, you may sometimes agree a mileage rate of either more or less than the HMRC-approved rate, or you may also arrange for the end-client to pay the same rate all through the year regardless of when you reach the threshold (see page 21). However, in such cases you will need to restrict your own claim from Competex Pro to 25p per mile when you reach the threshold, at which point any excess above 25p per mile paid by the end-client will go into your 'fund' and be paid to you after tax and NI.

If your end-client is paying less than the HMRC approved mileage rate, you may claim from Competex Pro the full approved mileage rate for travel to and from other locations that you need to visit on an exceptional basis.

The annual mileage threshold of 10,000 miles in the tax year relates to each employment, as long as the employments are not related and, therefore, if you are working on different assignments through both your limited company and through Competex Pro, you may claim the higher rate (45p per mile) for the first 10,000 travelled for each company.

## **Use of mobile phones and other telephone costs**

The expense of using a mobile phone may be claimed only if the contract is in the name of a company and if the expense is included in the accounts of that company.

Since your mobile phone contract will not be in the name of Competex Pro, the only way to claim from Competex Pro the cost of telephone calls is to provide phone bills and itemise the calls. For this reason it may be impractical to claim for the cost of telephone bills.

## **Non-allowable expenses as an employee of Competex Pro**

As an employee of Competex Pro, certain expenses that were permitted for your limited company are no longer permitted as personal expenses:

# WORKING THROUGH COMPETEX PRO: CLAIMING EXPENSES

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- Using your home as your office
- Accountancy fees
- Bank charges
- Insurances relating to your limited company
- Mobile phone – see above
- Software

## **VAT on expenses**

When claiming expenses from the end-client on behalf of Competex Pro, you should itemise expenses net of VAT and then charge VAT on the total, as in the eyes of HMRC we are providing a service and all fees and expenses must bear VAT. Importantly, one should not charge VAT on top of an expense that already includes VAT.

When claiming expenses from Competex Pro as an employee, the arrangement is different. Here you should itemise all expenses including VAT where applicable, and show any VAT only where it is included. Many expense claim forms guide you through which expense items include VAT and which do not.

## **Insurance**

As an employee of Competex Pro, you are covered by the following insurances:

- Professional Indemnity – limit £1,500,000 (excess £1,500)
- Employer's Liability - limit £10,000,000
- Public Liability - limit £10,000,000

You are therefore not required to arrange your own insurance for assignments through Competex Pro. However, you should continue to arrange your own insurance for any work that you do through your own limited company, if applicable.

In the unlikely event of a claim on the PI insurance, Competex Pro would recover the excess charge from the employee's fund. However, let it be said that over a period of 20 years Competex has not been aware of any PI claim ever being brought upon any of their clients!

# WORKING THROUGH COMPETEX PRO: CLAIMING EXPENSES

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If you have an insurance requirement in addition to the above, this can be accommodated at your own cost.

## **VAT on Competex Pro invoices**

For the sake of clarity, Competex Pro charges VAT on the invoices rendered to your end-client and accounts for this to HMRC. Your salary, costs of employment and expenses will be based on the net amount of the invoice excluding VAT.

## **Continued use of your limited company**

You may continue to use your limited company while working through Competex Pro, but you should be careful about the allocation of expenses.

Expenses may be charged to a company and paid free of tax and NI to an employee only if they have been incurred wholly, exclusively and necessarily in the running of the business. This means that expenses relating to your work through Competex Pro may be charged only to Competex Pro, and expenses relating to your work through your limited company may be charged only to your limited company.

The following gives an indication of the type of expenses you may continue to put through your limited company:

- Travel – this must relate to the work of your limited company and could for instance relate to interviews for future work
- Mobile phone charges
- Charitable donations

Be aware that you would benefit from charging such expenses to your limited company only if your limited company has retained disposable income or if there was the prospect of acquiring disposable income at some time in the future. However, to avoid increased accounting charges, you may prefer to keep a separate record of these expenses and charge them to your limited company as and when it becomes active again.

# WORKING THROUGH COMPETEX PRO: NEXT STEPS

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## **How to join**

To register with Competex Pro, the first step is to complete the [Competex Pro registration forms](#), attaching a signed passport and utility bill copy to the Personal Details form. We also require that each assignment is assessed using the HMRC Check Employment Status for Tax tool and a screenshot of the result attached to the Contract Details form.

Once we receive your details, review your documentation and complete our checks, we then draw up the contracts and add you to our payroll systems and you are ready to go.

## **Pricing**

Competex Pro deducts a margin of £120\* per month, irrespective of how many times you are paid within the month.

We charge a minimum margin of £360 per contract, so if your contract is under 3 months, we will deduct the remaining balance from the last tranche of income.

If during your contract you concurrently have an active personal service company administered by Competex, or if you are working through an agency with automated billing and payment systems, we will reduce the monthly charge by 20%.

This charge includes the cost of professional indemnity insurance (PI), employer's liability insurance (EL) and public liability insurance (PL).

## ***Contract review fees***

If a contract supplied by an agent or end-client does not match up to the terms of our own industry standard contract, it may need to be reviewed by our lawyers. In such cases we would need to charge a fee of £120, to be deducted as an additional margin.

If you are contracting directly with your end-client, rather than through an agency, our preference is to supply the service contract to agree your assignment with the end-client. If your end-client wishes to provide the contract, we will need to charge a contract review fee of £300 to be deducted as an additional margin.

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