



In this issue:

Overview
Summary of main proposals
Impact on employers who operate international mobility programs
Deloitte's view
People to contact

GES NewsFlash

United Kingdom – Impact of Government consultation on ‘Offshore Employment Intermediaries’

June 20, 2013

Overview

On 30 May 2013, the UK Government issued a consultation document on ‘offshore employment intermediaries’, a form of employment arrangement that the Government believes is exploited to avoid UK tax and National Insurance (social security) contributions. The proposals seem to be targeted at certain offshore employers in the oil and gas, financial services, business consumer, and service industries in particular.

However, while the Government’s proposals are intended to tackle the perceived avoidance of tax and National Insurance contributions, the consultation document suggests that all employers that have employees working in the UK, including those working in the UK under a formal international secondment, will be affected.

Summary of main proposals

The Government’s main proposals are to introduce legislation that will:

Require in the first instance the offshore employer to:

- Operate PAYE (UK tax withholding)
- Account for employer and employee National Insurance contributions
- Pay all statutory payments to its employees, e.g., Statutory Sick Pay and Statutory Maternity Pay
- Deduct from employees any amounts owing such as student loan repayments
- Make reports and remittances of tax and National Insurance to HM Revenue & Customs (HMRC) via Real Time Information (RTI)

Transfer the obligation to operate PAYE and account for National Insurance contributions to:

- An intermediary in the UK in the event that the offshore employer does not account for the full amount of tax and/or National Insurance contributions due for three months
- The end user in the event that there is no intermediary or the intermediary also defaults on its obligations due to insolvency/bankruptcy

Introduce new record keeping and reporting obligations including the submission of quarterly reports by the intermediary or, in the absence of an intermediary, the end

user.

Impact on employers who operate international mobility programs

Even though regular international mobility programs are not the target of this anti-avoidance measure, it seems likely that employers who operate such programs will be affected. We will understand better the full impact on international mobility programs once the draft legislation has been issued in the next few weeks but in the meantime, employers may wish to consider the following:

- The potential cost impact.
- The impact on intercompany agreements which may need to be amended to make clear whether the offshore employer or the UK host employer will account for PAYE and, where relevant, National Insurance contributions.
- The need to ensure that evidence is available on a timely basis in the event that an assignee is not subject to National Insurance contributions because, for example, they remain subject to home country social security contributions under a social security agreement.
- The potential impact on short-term business visitors.
- The additional reporting requirements that will be placed on UK entities as a result of the proposed quarterly reporting obligation.

Deloitte's view

These proposals are likely to impact all employers that have employees in the UK and not just those that are the intended target of what is clearly an anti-avoidance measure. At the very least the proposals are likely to lead to new reporting requirements although in some instances the impact will be much greater.

The Government's intention is that the new provisions will be in force from 1 April 2017. While this timescale looks ambitious, given the current focus on tax avoidance proposals may be pushed through quickly for political if not fiscal reasons.

Contacts

If you have any questions concerning the issues in this GES NewsFlash, please contact one of the GES professionals at our Deloitte offices as follows:

Craig Muir

020 7007 1653

cmuir@deloitte.co.uk

Mark Groom

020 7007 2770

mgroom@deloitte.co.uk

James Macpherson

020 7007 8686

jmacpherson@deloitte.co.uk

Rosemary Martin

020 7007 7875

rosemartin@deloitte.co.uk

Heather Smallwood

01224 847 707

This NewsFlash information is also included in our biweekly GES newsletter, *Global InSight*, which you will receive directly if you are on the central distribution list.

If you are not on the central distribution list and received this communication by some other means, you can follow these few simple steps to be added to the central distribution list:

- Go to the [Deloitte subscriptions page](#) on Deloitte.com
- Enter your email address to login or create a profile
- On the next page, enter your contact information and choose “Tax: Global Insight” under Email Newsletters
- Click “Save profile”.

Be sure to visit us at our website: www.deloitte.com/tax.

© 2013 Deloitte LLP. All rights reserved.

This communication is from Deloitte LLP, a limited liability partnership registered in England and Wales with registered number OC303675. Its registered office is 2, New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited (“DTTL”), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

This communication contains information which is confidential and may also be privileged. It is for the exclusive use of the intended recipient(s). If you are not the intended recipient(s), please (1) notify it.security.uk@deloitte.co.uk by forwarding this email and delete all copies from your system and (2) note that disclosure, distribution, copying or use of this communication is strictly prohibited. Email communications cannot be guaranteed to be secure or free from error or viruses.

To the extent permitted by law, Deloitte LLP does not accept any liability for use of or reliance on the contents of this email by any person save by the intended recipient(s) to the extent agreed in a Deloitte LLP engagement contract.

Opinions, conclusions and other information in this email which have not been delivered by way of the business of Deloitte LLP are neither given nor endorsed by it.

[Home](#) | [Security](#) | [Legal](#) | [Privacy](#)

Not interested anymore? [Unsubscribe](#) instantly.