

A GUIDE FOR CLUBS/VOLUNTEERS ON “EMPLOYMENT” AND “SELF-EMPLOYMENT”

INTRODUCTION

As soon as you have decided that you need to use the services of an individual it is important for both parties to be clear about the terms of the use of those services. The first step is for a club to establish the “Employment Status” in other words is the individual “employed” or “self-employed”. Once this has been established it is important for the Club and the individual to be clear and agree on the responsibilities outlined by HMRC.

Employment Status Indicator (ESI TOOL)

For the specific purpose of establishing the employment status, HMRC have provided a tool on their website which can be located on the following link <https://esi2calculator.hmrc.gov.uk/esi/app/index.html>. The ESI Tool is very easy to use and takes you through a number of questions providing helpful tips on how to answer the question by using specific examples. At the end the ESI tool will give an indication on whether the individual is “employed” or “self-employed” and highlights the criteria that forms the basis of this indication. This will provide a good opportunity for both the Club and individual to review before agreeing with HMRC’s indication. Once agreed this will provide the Club with two options.

Option 1 – Individual deemed ‘self employed’

The individual must register with HMRC as ‘self employed’, following which they will receive a Unique Taxpayer Reference Number (UTR). The individual will now be required to submit an invoice to the club, quoting the UTR reference, for the agreed amount including VAT (if applicable). The individual is responsible for declaring this income for Self Assessment purposes.

Option 2 - Individual is deemed ‘employed’

The Club must register with HMRC as an employer (if it has not already done so) and subject payments to PAYE, deducting any tax and National Insurance contributions that may be due under PAYE at source. The employer is responsible for reporting in Real Time and paying over any tax and National Insurance contributions deducted on behalf of employees. Should the employee be in their employment at 5 April, the employee will be given a form P60 (summary of pay, tax and National Insurance for the year).

<http://www.hmrc.gov.uk/payerti/getting-started/register.htm>

It is advisable to save copies of the ‘Enquiry Details’ screen and the ‘ESI Result’ screen, bearing the ESI reference number, should the individual’s employment status be questioned by HMRC in the future.

SUMMARY

1. Determine "Employment Status" (Employed or Self-employed)
2. Print the 'Enquiry Details' and 'ESI Result' with the agreement from both the Club and Individual agreeing to the criteria on the employment status.
3. Attach a copy of the 'Enquiry Details' and 'ESI Result' and send this to the individual together with a letter outlining the terms of agreement or contract for services.
4. The individual should submit an invoice for the agreed amount as per the agreement quoting the UTR reference number.
5. The club should keep a copy of the ESI indication, conditions of contract for services and any other relevant information. HMRC may check you are keeping the right business records. See the link below:

<http://www.hmrc.gov.uk/record-keeping/index.htm>