

Recruitment & Selection – Self Employed Status

Her Majesty's Revenues & Customs (HMRC) inspectors have raised concerns that the Council may not be paying due accord to correctly determining Employment Status (e.g. self-employed contractor or employee) when it is engaging someone to undertake a piece of work for the Council.

Failure to properly determine Employment Status will lead to incorrect deduction of Tax and National Insurance and therefore to financial penalties being applied by HMRC. These will be charged to the employing Council Service.

The most likely area where errors in determining Status will apply will be when the Council engages with individuals who hold “self-employed” status.

Being classed as “self-employed” by HMRC does not in itself allow the Council to pay an individual as a contractor and outwith the Pay As you Earn schedule (PAYE).

Officers involved in engaging individuals should therefore take the following factors into consideration

- Will the work be carried out on Council premises using Council equipment?
- Will the individual be supervised by a Council employee?
- Does the Council have employees undertaking similar work?

If the answer to any of the above is “**yes**” then it is **most** likely that the individual should be engaged as an employee.

To aid managers in the process HMRC have produced an on line toolkit. Please view the following link: [HMRC Toolkit](#)

If the decision is still unclear Officers should contact the Head of People and ICT and Head of Corporate Finance and Commercialism for guidance.