

# *PAYE and Employment Status*

# CLUB LEADERS

Better business skills for **sport**

Places People Play



## *Welcome and introductions*

**CLUB  
LEADERS**

Better business skills for **sport**

# Overview of content

This seminar will cover the following:

1. A brief overview of Club Leaders and what's on offer
2. Volunteer, worker or employee?
3. Employed vs self-employed
4. Treatment of expenses for workers
5. Recent developments (RTI and AE)
6. Recap and further support available

# *Brief overview of Club Leaders*

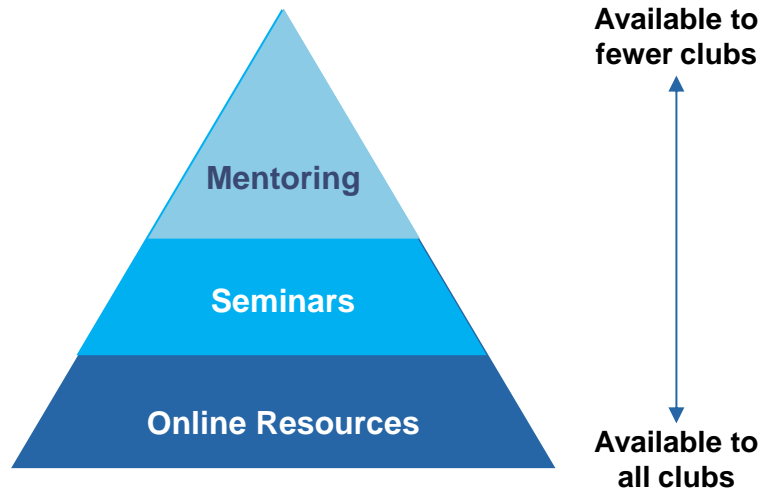


# 1

## Club Leaders background

- Part of the *Places People Play* Olympic legacy programme
- Uniquely focused on helping club leaders on **business** aspects of club
- Tailored for **sports** clubs
- Available to **all** clubs and it's all **free!**

## What's going on



## Where to find us

[www.sportenglandclubleaders.com](http://www.sportenglandclubleaders.com)

 [club.leaders@uk.pwc.com](mailto:club.leaders@uk.pwc.com)

 @Club Leaders

 [www.facebook.com/ClubLeaders](http://www.facebook.com/ClubLeaders)

*Volunteer, worker or employee?*



2

## *Some quotes about tax...*

***"but in the world nothing can be said to be certain except death and taxes."***

*Benjamin Franklin*

***"People who complain about taxes can be divided into two classes: men and women."***

*Unknown*

## The Telegraph

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Investing Saving Tips Savings Interest Rates Funds Gold Mortgages CreditCar

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### The local cricket clubs bowled over by HMRC tax bills

Long-established cricket club left on the brink after HMRC cracks down on finances in minor leagues, reports Roland Gribben .



- A letter arrived with “can we come and look at your books”
- Detailed accounts maintained
- Had to provided details about how they pay ground staff, catering staff, professional’s contract and volunteers
- Bill of **£14,403** received



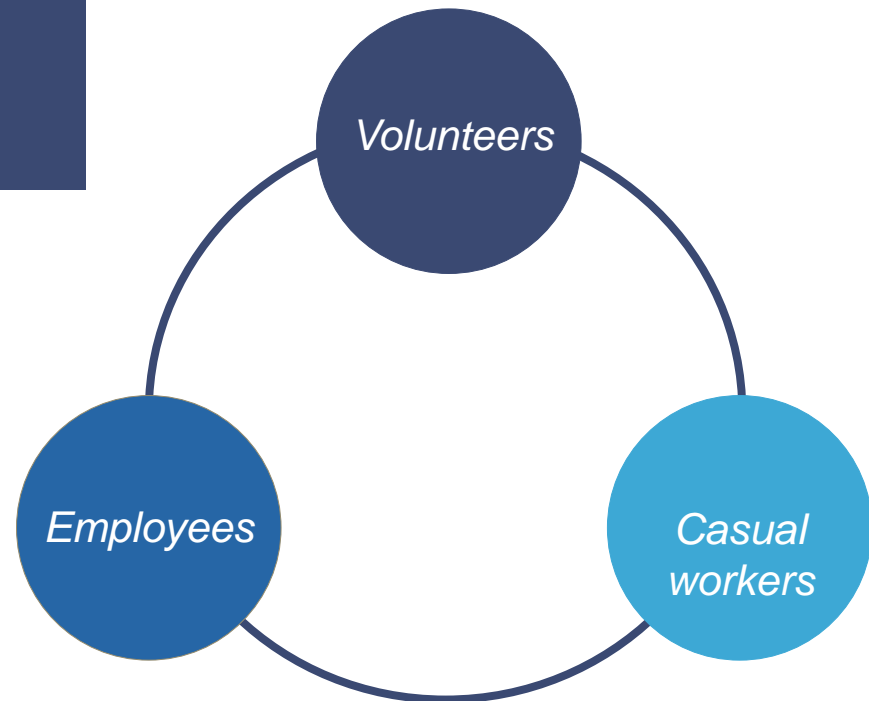
# What is PAYE?

- Pay As You Earn (PAYE) - way to collect Income Tax and National Insurance Contributions (NICs)
- If your club has employees you will have obligations to operate PAYE system **and** pay Employer's Class 1 NIC. Administrative and cost implications for your club.
- Failure to meet your obligations under PAYE system can have significant consequences.
- Firstly understand whether you have any employees.

## *Volunteers, workers or employees – who does your club rely on?*

The first stage in understanding your club's potential employment tax issues is to understand what "human resource" does your club utilise

*Who does your club rely on?*



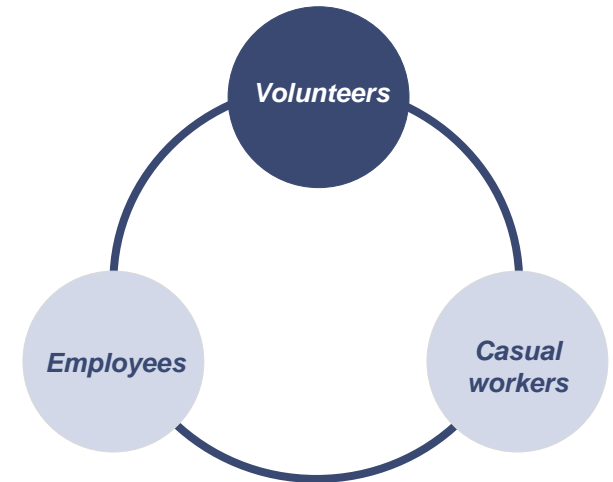
# Volunteer, worker or employee – are you sure?

## Volunteers

- Work as and when they are able
- Reimbursed only for *reasonable* and *actual* costs they incur

*Their rights:*

- *Limited legal rights*



*Does your club rely on volunteers?*



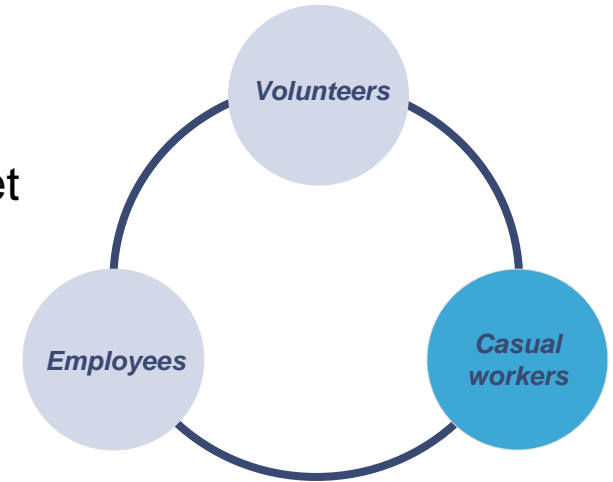
# Volunteer, worker or employee – are you sure?

## Casual workers

- A contractual relationship exists
- They are paid e.g. works for a set time and for a set amount of money

### *Their rights:*

- *Workers have rights including National Minimum Wage, rest breaks, paid holiday, limits on working, discrimination laws apply*
- *May have to pay tax & NIC*



- *Does your club expect your volunteers to turn up at the same time and same place each week?*
- *Does your club pay volunteers expenses and if so are these only for the costs incurred?*



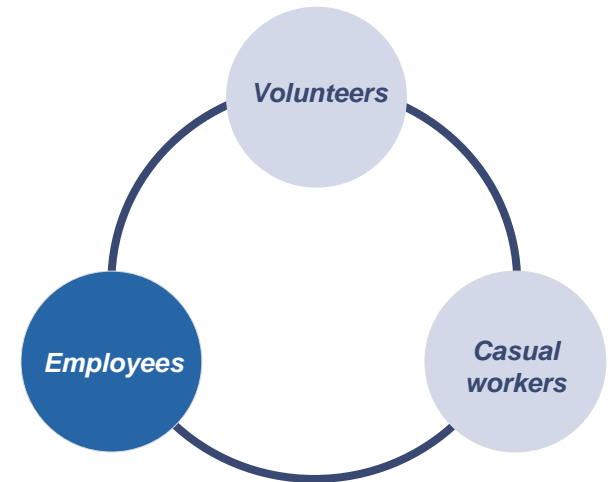
# Volunteer, worker or employee – are you sure?

## Employees

- Has a contract of employment
- Additional rights from a worker

### *Their rights:*

- *Including unfair dismissal rights*
- *Statutory redundancy pay*
- *Sick pay, maternity, paternity adoption leave*

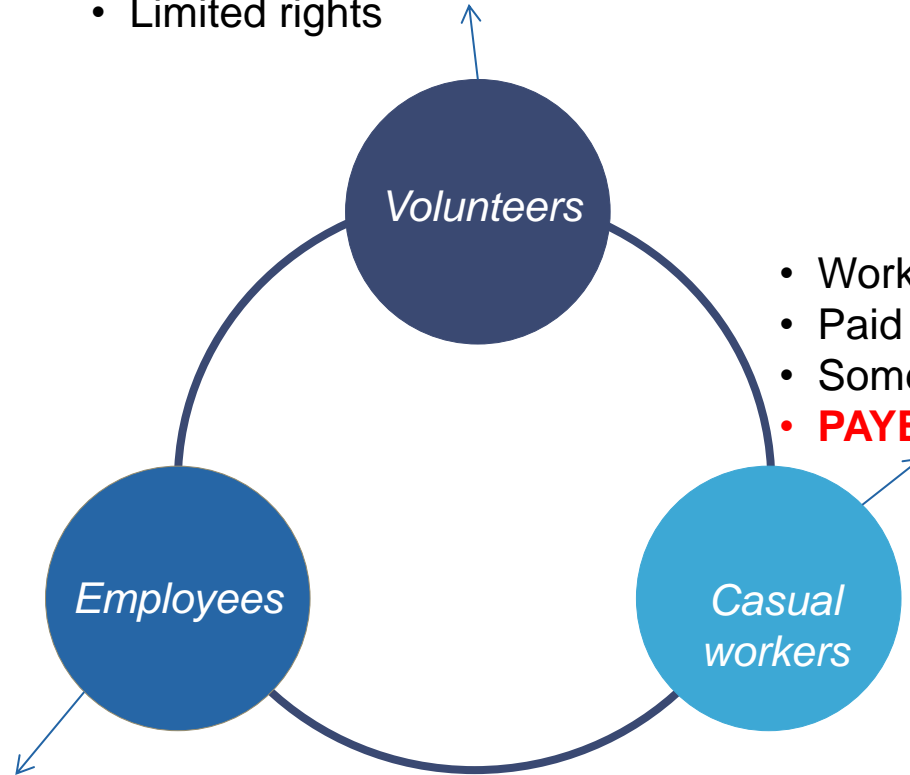


***Does anyone potentially have employees at their club that they may not have expected?***



# Summary

- Come and go as they like
- Paid only actual and reasonable incurred costs
- Limited rights



- Work on an ad-hoc basis
- Paid for their services
- Some employment rights
- **PAYE and NIC considerations**

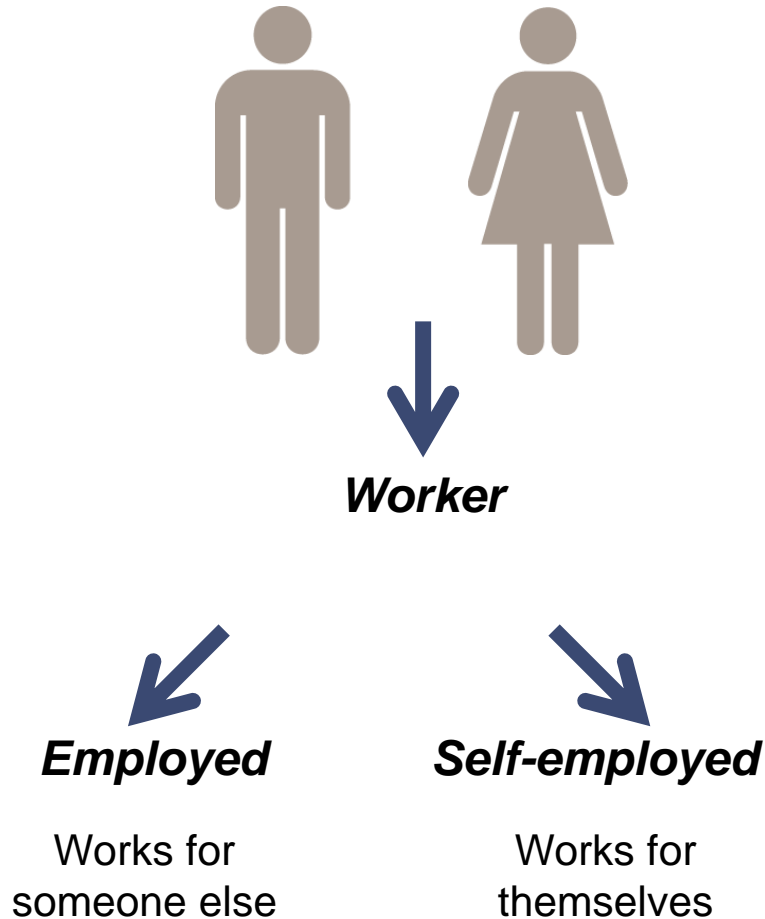
- Have a contract of employment (actual or perceived)
- Full employment rights
- **PAYE and NIC considerations**

## *Employed vs self-employed*



# 3

# Employment status



- A worker's status can be either employed or self-employed
- It is not a matter of choice
- It depends on the terms and conditions of how they are employed

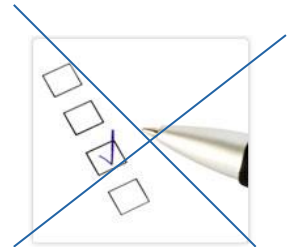


## Test of Employment status

- If your club engages people to undertake work, **you** are responsible for correctly determining their employment status
- There are no dispensations, special rules or other exclusions for sports clubs

### Test of employment status:

- Criteria set by HMRC
- Not just a box ticking exercise
- Can be subject to interpretation
- HMRC Employment Status Indicator tool available



# Key tests and considerations

- **Personal Service / Right of substitution**

- *Does the individual have to do the work themselves, or do they need to provide a replacement if they cannot do the work?*



- **Controls and decisions**

- *Does the club have a right to exert control over what they do and when they do it?*



- **Financial risk**

- *Does the individual risk losing money or will they get paid either way?*



## Key tests and considerations (cont'd)

- **Provision of equipment**

- *Does the individual provide the majority or all of the equipment or use the clubs?*



- **Integration with business**

- *Is the individual integrated within the club and be seen as employed by them?*



## ***Case study: ABC Fencing Club***

**ABC has grown significantly and decided to boost its profile further and capitalise on the increased interest in fencing with a series of guest coaching sessions.....**



**Answer the following questions...**

## **Example 1**

Martine Henshaw, your club coach, volunteers to perform a one-off coaching session at ABC Fencing Club. The club agrees that this is on a no fee basis, but would like their expenses covered.

**Should Martine's payment be subject to PAYE and NIC?**

- Provided they only receive reasonable expenses and do not profit from the session then there is no contract. They are simply volunteering. No tax or NIC implications on reasonably incurred expenses.

## **Example 2**

Graham Smith is a British Fencing registered coach. He delivers 10 sessions on ABC's Foil training programme. Despite being known for doing things his own way, Graham will be teaching the ABC's own training plan, using the ABC's facilities and equipment and the ABC will provide administrative support.

**Should Graham's payment be subject to PAYE and NIC?**

- Employment status needs to be considered for each engagement on a case by case basis.
- The facts of the case i.e. Individual's authority, materials, premises, administration support etc indicates employment status.

## Example 3

Pauline Jones is currently on the world class performance squad and has been contracted by ABC Fencing Club to work for 1 day a week for 8 weeks, specifically to improve the technical skills of cadet fencers using her own methods. For the other 4 days of the week she is employed by another organisation. She has public liability insurance.

**Should Pauline's payment from the Club be subject to PAYE and NIC?**

- The reason for Pauline's engagement will have a bearing on their employment status.
- The fact that Pauline is coaching her own techniques, has her own insurance and is engaged by other organisations throughout the 8 week period would indicate self-employment status.

## **Example 4**

A number of referees are asked to officiate at a club competition organised by ABC Fencing Club, the referees are paid a cash payment for doing so.

**Should the individuals' payment from the club be subject to PAYE and NIC?**

- The members are treated as casual employees and therefore amounts paid should be subject to PAYE and Class 1 NIC.



## *What do to next if your club has employees*

Identify if your employees are employed or self-employed

If you consider an individual **self-employed**:

- Retain evidence to suggest this (e.g. Screen print of ESI output, professional legal advice, details of their activities etc.)
- The obligation for payment of NIC through their own tax records is on the individual
- Make sure you are clear why they are not employed and note it down

If you consider an individual **employed**

- The club is responsible for managing PAYE and accounting for NIC
- Any employee should be registered with HMRC (even if below the threshold for paying PAYE)
- PAYE payments made via RTI
- For more details see <http://www.hmrc.gov.uk/payerti/getting-started/new-employer.htm>

## *What happens if you get it wrong?*

- HMRC review - the contractual engagements of the club with individuals will be scrutinised
- HMRC may challenge the status which has been applied
- It is the responsibility of the club to determine employment status
- If HMRC regard a self-employed individual to be employed, they will seek to recover PAYE and NIC from the club
- Getting this wrong can lead to the payment of additional tax, NICs (13.8% on earnings), interest and possibly penalties (typically 15% to 30% of the PAYE/NIC due)
- This can have potential significant funding and cash flow issues for the club



# *Expenses*



# 4

# Expenses - some considerations

- Remember **volunteers** can be paid reasonable expenses without a tax liability
- Expenses should be supported by an expense claim form / receipts
- Payments that are not “reasonable” or include remuneration may attract tax and risk the “volunteer” becoming a worker or employee



# Expenses - some considerations

- For **self-employed** workers:
  - Expenses should be paid in line with an invoice received
  - It is the responsibility of the individual to consider the appropriate tax treatment
  
- For **employees**:
  - Need to consider the nature of expenses carefully to determine tax treatment
  - This is a wide topic. For more detail on expenses and benefits see:

<http://www.hmrc.gov.uk/payerti/exb/index.htm>



## *Recent developments*



# 5

# Recent developments

## Real Time Information (RTI):

- Real time gathering of payroll information
- PAYE information submitted as part of the payroll process rather than at the year end
- Information only. PAYE payments remain unchanged
- Introduced April 2013, with all employers required to comply by October 2013
- You will need payroll software (or existing software updating)
- Further information see <http://www.hmrc.gov.uk/payerti/index.htm>

## *Recent developments*

### **Pensions Auto Enrolment Regulations (AE):**

- Requirement to automatically enrol eligible jobholders in a qualifying pension scheme
- Employers required to make a minimum pension contribution
- Employers will also have other information and reporting obligations
- For employers with below 50 employees the earliest date for compliance is 1 April 2015
- Consider club strategy and how they will operate under AE
- Further information see: <http://www.sportenglandclubleaders.com/do-we-have-to-offer-a-pension-to-our-club-employees/> and <http://www.thepensionsregulator.gov.uk/>



*Recap and further support available*



6

What we have covered:

1. A brief overview of Club Leaders and what's on offer
2. Volunteer, worker or employee?
3. Employed vs self-employed
4. Some considerations on the treatment of expenses
5. Recent developments (RTI and AE)

Let's  
Recap

## Top tips

- Review the status of individuals involved in your running your club on a regularly basis
- Update checks of employment status on an annual basis or when there are significant changes
- Have a system in place to confirm employment status as soon as you start to pay individuals
- Keep records (e.g. Receipts) of any expenses claimed
- Check that the relevant committee members in your club are aware of the potential employment tax risks
- Be aware of recent developments (e.g. RTI and AE) and start to deal with these as appropriate for your club
- Be sensible; if something doesn't feel right it probably isn't
- If in doubt seek further advice



**Further support**  
[www.sportenglandclubleaders.com](http://www.sportenglandclubleaders.com)  
[www.hmrc.gov.uk](http://www.hmrc.gov.uk)

**Toolkits – PAYE**

**Mentoring**

**Professional advice**

**Useful documents specific to sport**

**HMRC website**  
 Further guidance and  
 ESI tool



*Any questions?*

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# *Thank you and good luck!*

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