



Umbrella Regulations
Safeguarding your Agency



About FCSA

- The **leading experts** in compliance
- The accepted **gold standard** for Accreditation
- The only **not-for-profit** in the sector
- FCSA Assessments are carried out by best-in-class professional service companies



Timeline

- 2022 – Call for Evidence - Regulating the umbrella market - DBT
- 2024 – Consultation, Regulating the umbrella market – HMT.
 - **It's now all about the money!**
- 2024 – October Budget, the Chancellor announces “option three” as her preferred choice
- 2024 – **FCSA** forms and leads the Industry Working Group
- 2024 – FCSA engages Rebecca Seeley Harris (RSH), a well-respected tax policy expert to work on alternatives to “option three” and we collectively suggest joint and several liability
- June 2025 “**Joint and Several Liability**” is now government’s policy
 - A big “win” for RSH, FCSA and the industry as a whole



TAX Regulations from April 2026

- A new Chapter 11 of ITEPA sets out the tax liability rules for the industry effective from **6th April 2026**
 - National Insurance (both employers and employees) is included too
 - So is the apprenticeship levy
- **Joint and Several Liability (JSL)** – relevant parties in the supply chain (agencies, end-clients) will share liability for PAYE payments.
 - This applies to the **whole** amount due
 - Including **any** shortfalls/underpayments
 - Regardless of the reason for it
- There are **no** “statutory excuses”
 - The legislation automatically applies, and any smokescreens will be ignored
 - Offshore entities in the supply chain will just be ignored by HMRC



The Relevant Party. Who's liable?

- The topmost **agency** in the chain (the one with the contract with the client)

OR

- If there's no agency involved OR the agency is running payroll under a contract of employment, then the **end-client** will be held liable

AND

- MSPs are **included**, even if they're not in the payment chain



What's not included?

- Employment businesses directly engaging workers under a contract for services
 - BUT that's already caught under Chapter 7
- Recruiters are **not** being "deemed the employer"
 - The umbrella remains primarily responsible for PAYE
 - The Employer Registration Number in use will still be the **umbrella's**
- **All** responsibility and liability for employment law and employee rights will be the **umbrella's**



And the net is wide

- A new phrase “**purported umbrellas**” is very broad and appears designed to catch
 - joint ventures the end client will end up liable)
 - where an agency has an umbrella in the same group of companies
 - mini-umbrellas
 - fraudulent arrangements which utilise compliance loopholes
 - unlawful gross pay models (e.g. false self-employment)
- Broadly speaking:
 - If it looks like a duck, walks like a duck and quacks like a duck...

...it’s probably a duck



Enforcement

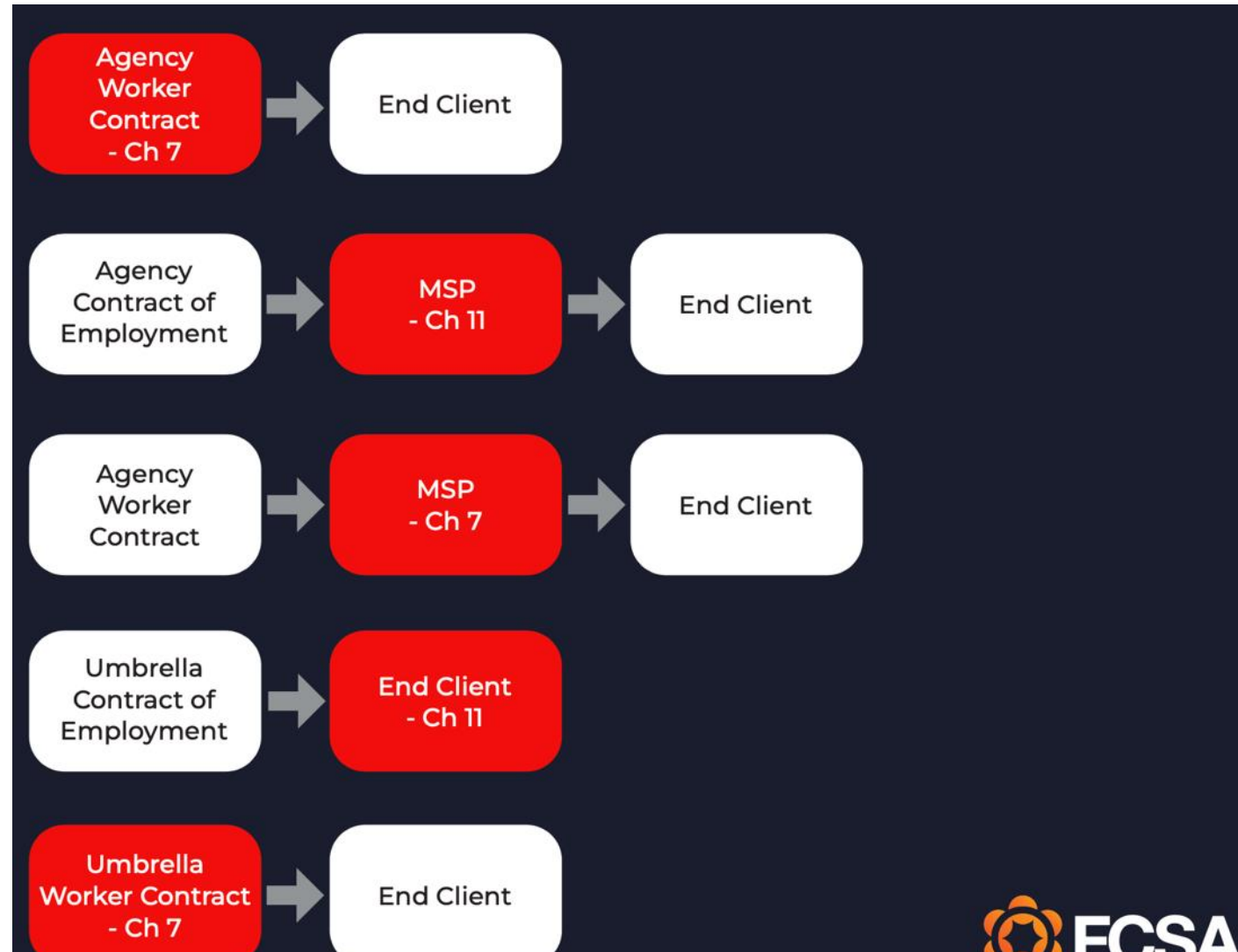
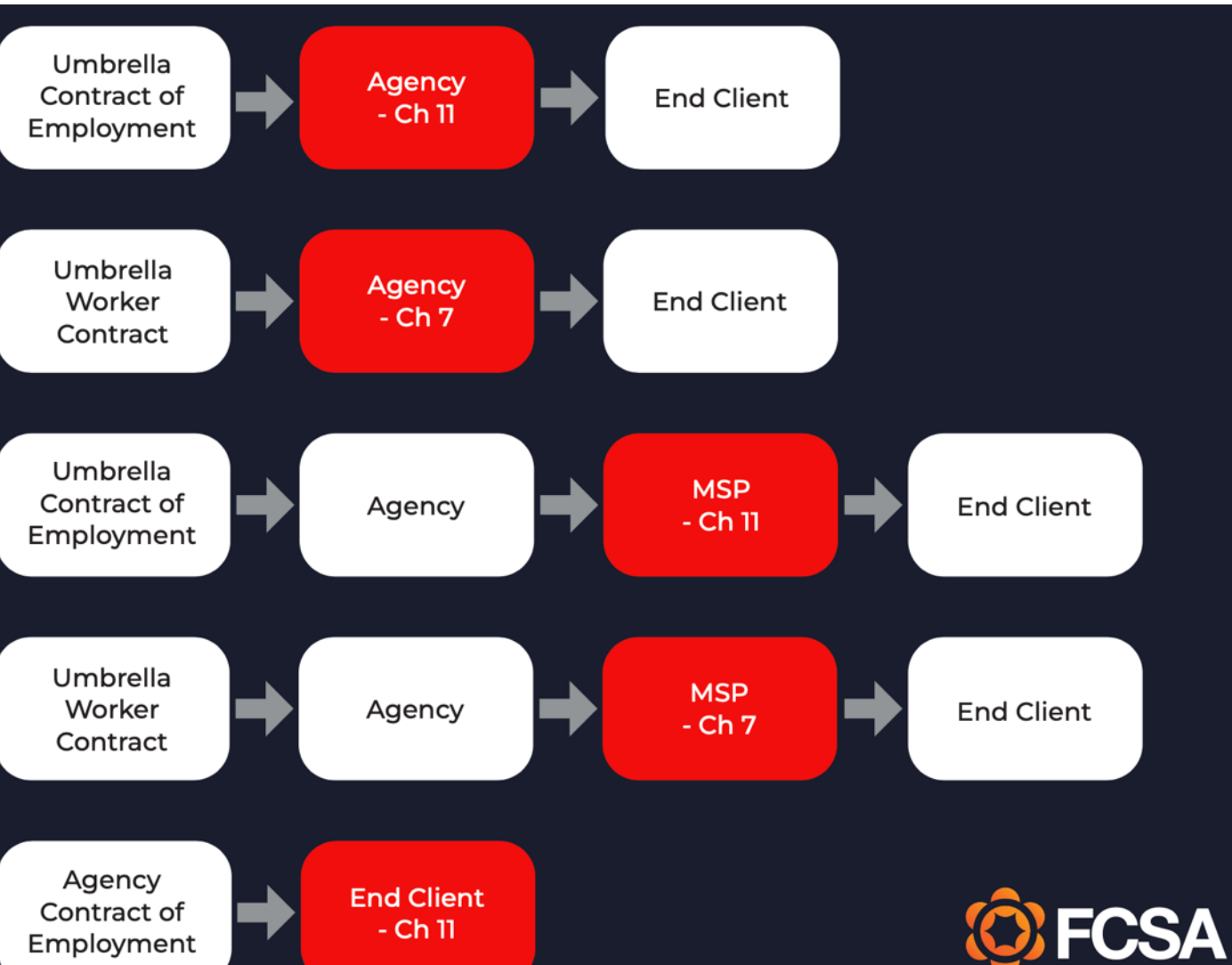
- HMRC will be able to issue a Reg 80 determination to a joint and severally liable party - this means that there's **an automatic process** to enforce the legislation
- They'll apportion liability to your agency only for your candidates
- The genuinely self-employed, *and those who are deemed to be employees for tax purposes* under Chapters 7 – 10 of ITEPA (which covers the agency worker tax rules, IR35, Managed Service Companies and off payroll working rules) are excluded from the new Chapter 11, with those **existing** Chapters taking precedence.





FCSA

Key liability scenarios





What can you do now?

- You're off to a **great start** – you already work with **Brookson One**
 - ✓ Make sure your PSL becomes an **Assured Provider List** of *only* FCSA Accredited providers
 - ✓ Become an **FCSA Recruiter Partner** and get insights and mitigation tools direct from us
- Work with all your providers to **ensure trust** and **mitigate risk**. Your goals:-
 - ✓ proof that all payments are correct
 - ✓ proof that HMRC have been paid
- **Use the right tools**
 - ✓ Verify payroll accuracy **and** HMRC remittances with [veriPAYE](#)
 - ✓ Keep ahead of the curve with FCSA's [Diligence Hub](#)
 - ✓ These are FREE services which do the heavy lifting for you



Avoid the payroll pirates!

- **Don't** fall for unrealistic incentives – they are not affordable for a compliant umbrella
- **Don't** fall for “outside the new regs schemes” (FCSA has already seen one!)
 - they won't work
 - HMRC's “purported umbrella” is designed to catch them
- Payroll pirates will be easier to spot
 - by you
 - by FCSA – and we'll report them
 - by HMRC
 - and, ultimately, the Fair Work Agency



FAQs

- Will MSPs be on the hook?
 - ✓ Yes, even if they're not in the payment chain
- When will this hit Parliament?
 - ✓ The Finance Bill normally goes through in October/November
 - ✓ Consultation closed on 15th September
- What about the liability for VAT?
 - ✓ Unpaid VAT is already covered by case law (Kittel and ICL).
 - ✓ **JSL** already applies to unpaid VAT using VAT Notice 726.
 - ✓ Anyone seeing this as a new loophole will be in for a nasty surprise as HMRC already pursue such cases.



FAQs

- We've had approaches about a flat-rate VAT scheme, are these legit?
 - ✓ **Rarely!**
 - ✓ FCSA often sees these schemes, which frequently offer great rebates. The bargepole rule should usually be applied
- Has Government just established what's effectively a self-policing tax regime?
 - ✓ Yes



FAQs

- Does FCSA expect any **behavioural changes** in the industry? Yes:-
 - ✓ End-clients and MSPs/lead agencies requiring use of **only** FCSA Accredited providers
 - ✓ A shift to **proactive** and **robust** due diligence
 - ✓ Using FCSA's FREE tools [veriPAYE](#) and [Diligence Hub](#)
 - ✓ End-clients who are direct to umbrella start to use agencies
 - ✓ Good news for you!
 - ✓ End-clients **requiring** that Agency Workers are shifted to umbrellas
 - ✓ End-clients and MSPs/lead agencies **requiring** due diligence
 - ✓ New insured indemnities products fir the industry



And finally...

- Does FCSA welcome the draft regulations?
- Broadly speaking, **yes!**
 - ✓ JSL is much, much better than the original “option three”
 - ✓ The Bill as drafted will help close down the payroll pirates
 - ✓ The outcome for your candidates is better than the nuclear “option three”
 - ✓ The compliant supply chain will, at last, be able to compete on a level playing field



Questions

- Please feel free to ask any questions
 - ✓ In the chat
 - ✓ On screen
 - ✓ By emailing info@fcsa.org.uk