

APSCo warns umbrella compliance consultation ‘flawed’

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In response to the Government consultation, Tackling non-compliance in the umbrella company market, the Association of Professional Staffing Companies (APSCo) has warned that the proposals are flawed as they do not address the root cause of the issue – the need for licencing of the umbrella sector.

In its submission to HM Treasury, APSCo highlighted that many of the proposals are not sufficiently wide-ranging, including:

- The proposed options are not fit for the current marketplace, let alone anticipating future market innovation.
- They will not address the fundamental problems – there are no barriers to entry to the umbrella market, setting up a corporate entity and launching an umbrella company can be done in a matter of days.
- The supply chain cannot have the same access to payroll data as HMRC, therefore no amount of due diligence will give the supply chain access to the information necessary to find and prevent tax avoidance. If a corrupt umbrella company sets up a shadow scheme, either with or without the worker’s knowledge, then this will not be shown on any standard level of due diligence by a recruiter.

Tania Bowers, Global Public Policy Director at APSCo explained:

“We have proposed a broader definition to encompass umbrella companies within existing legislation which also allows for marketplace evolution, such as direct engagement with end-hirers.

“While we welcome the commitment to tackle non-compliance in the umbrella sector, we think the proposals do not go far enough to target the umbrella companies, as opposed to placing more liability and obligations on recruiters.

“There are no barriers to entry to the umbrella market, which means that setting up a corporate entity and launching an umbrella company can be done in a matter of days. A licencing or registration process is required with EAS or another body, in recognition that financial wrongdoing is the largest risk to

workers and the supply chain. Further, industry self-regulation should be replaced with statutory compliance codes.

“Members support enshrining due diligence in regulation as a first step as this will immediately lead to a more level playing field but don’t think it’s the most effective route to stop tax non-compliance.

“As to debt transfer and requiring recruiters to take on deemed employer obligations, members consider this will lead to SMEs being edged further out of the marketplace as end-hirers and outsourcers understandably toughen up their preferred supplier lists and contractual indemnities and potentially take the hiring in-house.

“APSCo will continue to work with HMT, EAS and HMRC to find the right solutions to tackle tax non-compliance in the umbrella sector and ensure the voice of our members is heard, but urge Government to redirect their energy at regulating the sector itself, rather than requiring recruiters to do so.”

Press contact

Vickie Collinge

vickie@bluesky-pr.com

01582 790 705

About APSCo

The Association of Professional Staffing Companies (APSCo) is the trade association for the professional recruitment market. APSCo Global comprises APSCo Asia, APSCo Australia, APSCo Deutschland and APSCo United Kingdom as well as APSCo OutSource, the trade body for the RPO and MSP sectors.

Find out more: www.apscouk.org www.apscouk.org