



# HM Revenue & Customs

PEOPLE PAYE LIMITED  
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**Date** 21 November 2018  
**VAT number** XXX XXX XX

Dear Mr XXXXX,

Thank you for your emails dated 8 March 2018 and 27 July 2018 in which you set out specific VAT queries in relation to the proposed People PAYE Ltd model (PPL). It is my understanding that you wanted clarification regarding the application of VAT notice 700/34 with specific focus on what costs would be covered under disbursements between joint employers. I have now completed my review of the relevant legislation and guidance and can comment as follows.

Firstly, I had to consider if the agreement between parties constitutes a joint employment as per VAT notice 700/34. You provided sample contracts and supporting documents detailing the division of responsibility between PPL and an 'agency'. **If the working arrangement adheres to the contracts provided then I would consider a legitimate joint employment exists. I therefore agree that VAT notice 700/34 applies.**

As far as employment costs are concerned guidance at VATSC06000 says "if staff are jointly employed by two or more parties it is not possible for one of the employers to make a taxable supply of the staff to another, even where it may charge part of the wages etc. costs of the staff."

VAT notice 700/34 gives further advice on paymaster services. It states "Paymaster services can involve one company paying salaries and other expenses such as National Insurance and pension contributions. They commonly occur between associated companies in 2 situations:

- where employees are jointly employed by 2 or more companies and one company undertakes to pay salaries and the other expenses which it then recovers from the other joint employers
- where each of a number of associated companies employs its own staff, but one company (the paymaster) pays salaries and other expenses on behalf of the others who then pay their share of the costs to the paymaster

**Recovery of monies paid out by the paymaster in either of these situations is not subject to VAT as it's a disbursement. For more information about this see VAT guide (Notice 700)."**

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In my opinion, the guidance is stating that there can be no taxable supply (of staff) between joint employers because the workers in question are each the employer's own employees. So, even when monies (thus potential monetary consideration) pass between them for paying the workers – including salaries and resulting taxes - there is still no supply between the joint employers, because the monies are related to paying their own workers. Put another way, if the worker wasn't paid by one of the joint employers, the other joint employer(s) would be jointly and severally liable to pay the worker, so the monies in question are the wages/related taxes and pensions.

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To summarise, I consider that there is a joint employment given the conditions and contracts provided. Remittances between the agency and PPL would be subject to guidance at 700/34 however only costs that can be associated with wages, related taxes, pensions and statutory payments would be classified as outside the scope of VAT.

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If you have any further queries then do not hesitate to contact me

Yours sincerely

**XXXXX XXXXXXXX**  
Investigator

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