

Guidance

Supply of staff and staff bureaux (VAT Notice 700/34)

Find out how to work out VAT on supplies of staff including supplies made by staff bureaux.

From: **HM Revenue & Customs (/government/organisations/hm-revenue-customs)**

Published 6 June 2012

Last updated 31 December 2020 —

Contents

- 1. Overview
- 2. Calculate VAT if you supply staff
- 3. Specific situations when you supply staff
- 4. Directors
- 5. Staff bureaux
- 6. Secondment of staff by businesses other than employment businesses
- 7. Placement of disabled workers under the Sheltered Placement Scheme (or any similar scheme)
- Your rights and obligations
- Help us improve this notice
- Putting things right
- How HMRC uses your information

1. Overview

1.1 Information in this guide

This notice explains the VAT treatment of supplies of staff including supplies made by staff bureaux. The term 'staff' includes directors and other office holders. There are some additional situations that apply only to directors and these are covered in section 4.

There are special rules for certain services performed outside the United Kingdom or supplied to, or received from, persons who belong outside both the UK and the Isle of Man. You can find out more about this in [Place of supply of services \(VAT Notice 741A\)](https://www.gov.uk/government/publications/vat-notice-741a-place-of-supply-of-services) (<https://www.gov.uk/government/publications/vat-notice-741a-place-of-supply-of-services>).

1.2 Who should read this notice

This notice is intended for anyone who supplies staff including staff bureaux. If you supply other services please read paragraph 2.4.

2. Calculate VAT if you supply staff

2.1 Supply of staff

You make a supply of staff for VAT purposes if, for a consideration, you provide another person with the use of an individual who is:

- contractually employed or otherwise engaged by you
- is a director of your company

For more information about consideration read paragraph 2.3.

There is a supply whether the terms of the individual's employment or engagement with you are set out:

- in a formal contract or letter of appointment
- on a less formal basis

Staff must not be contractually employed by the recipient of the supply, but come under the direction of that person.

If your business supplies services, such as construction services, to another person but your staff continue to operate under your direction, this is not a

supply of staff. It's a supply of those construction or other services. This difference is important where the services may be zero-rated or exempt, or when determining whether or not the supply is made in the UK.

If you're in doubt about the place of supply of your services, you should read [Place of supply of services \(VAT Notice 741A\)](https://www.gov.uk/government/publications/vat-notice-741a-place-of-supply-of-services) (<https://www.gov.uk/government/publications/vat-notice-741a-place-of-supply-of-services>).

2.2 Liability for VAT when you supply staff

Whatever the nature of your business, if you make any supplies of staff they're normally regarded as being made as part of your business. You must account for VAT at the standard rate.

There are a few exceptions where supplies of staff may be outside the scope of VAT. These include:

- secondments between and by government departments
- secondments between National Health bodies
- some secondment between local authorities and by local authorities where they have a statutory obligation or monopoly

If you supply staff to any person who belongs outside the UK, that supply is outside the scope of UK VAT.

If you receive supplies of staff from someone who belongs outside both the UK and the Isle of Man you must account for VAT on those supplies at the standard rate under the 'reverse charge' procedure. This is explained in the reverse charge section of [Place of supply of services \(VAT Notice 741A\)](https://www.gov.uk/government/publications/vat-notice-741a-place-of-supply-of-services) (<https://www.gov.uk/government/publications/vat-notice-741a-place-of-supply-of-services>). You'll need to [check when you must use the VAT reverse charge for building and construction services](https://www.gov.uk/guidance/vat-domestic-reverse-charge-for-building-and-construction-services) (<https://www.gov.uk/guidance/vat-domestic-reverse-charge-for-building-and-construction-services>).

2.3 Calculate the value of your services

If you make a taxable supply of staff you must charge VAT on the full amount of the consideration for the supply. 'Consideration' is what you are given in exchange for the supply. It can be any form of payment in money or in kind, including anything which is itself a supply. As well as any fee this includes any staff costs you recover from the recipient of your supply such as:

- salary
- National Insurance

- pension contributions

VAT is due on the full consideration. This includes payments by the recipient direct to the worker, including:

- National Insurance contributions
- PAYE
- similar items

There are a limited number of exceptions and these are explained in sections 6 and 7.

2.4 Other goods and services that you supply

If you supply something like care services your supply may be exempt from VAT. You can find more information in [Health professionals and pharmaceutical products \(VAT Notice 701/57\)](https://www.gov.uk/government/publications/vat-notice-70157-health-professionals-and-pharmaceutical-products) (<https://www.gov.uk/government/publications/vat-notice-70157-health-professionals-and-pharmaceutical-products>) and [Welfare services and goods \(Notice 701/2\)](https://www.gov.uk/guidance/welfare-services-and-goods-notice-7012) (<https://www.gov.uk/guidance/welfare-services-and-goods-notice-7012>).

3. Specific situations when you supply staff

3.1 Temporary suspension of an employment contract

If you suspend an employee's contract to enable them to take up a temporary post elsewhere you are not making a supply of staff provided that both the:

- temporary post is organised on the employee's own initiative
- second employer issues to the employee a new contract or letter of appointment

To avoid doubt a temporary suspension should normally be supported by evidence that:

- there is an agreement with the first employer that the employee is to be transferred for a fixed or open-ended period, often with an entitlement to return
- there are new conditions of employment with the second employer
- the second employer has control over the terms and conditions of employment
- the second employer fixes the salary

3.2 Joint employment

Where staff are jointly employed there is no supply for VAT purposes between the joint employers. Staff are jointly employed if their contracts of employment or letters of appointment make it clear that they have more than one employer. The contract must expressly specify who the employers are for example 'Company A, Company B and Company C', or 'Company A and its subsidiaries'.

Paragraphs 2.1 to 2.3 apply if staff are not jointly employed if their contracts are with a single company or person, even if it requires them to work for others. There is no joint employment where for example there is a contract with one employer:

- which lays down that the employee's duties include assisting others
- that the employee will work full-time for another
- where the job title shows that the employee works for a group of associated companies (for example a group accountant)

3.3 Paymaster services

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
- 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 money paid out by the paymaster in either of these situations is not subject to VAT as it's a pay out. You can find more information about supplies made by or through agents in [VAT guide \(Notice 700\)](https://www.gov.uk/guidance/vat-guide-notice-700#section25) (<https://www.gov.uk/guidance/vat-guide-notice-700#section25>).

You may charge the other companies for your paymaster services. If you make the charge you must account for VAT on any amount charged over and above the reimbursement of the costs paid out on their behalf. But these supplies are disregarded where they are made between companies within the same VAT group registration.

3.4 Sole proprietors and partnerships providing professional services

This applies to sole proprietors or partnerships in business providing professional services (for example as a solicitor or accountant). If you take up an appointment as a company director or other paid office holder (such as a secretary or treasurer) the business must account for VAT on any payment received if all the following apply:

- the appointment results from the professional expertise which you exercise in your business or in the partnership business
- your duties as a director or other office-holder involve, at least in part, the use of that expertise
- you are a partner and the payments accrue to the partnership and are not retained by you personally

But if you take up an appointment as an office holder and the terms under which you are appointed treat you as an employee of the person making the appointment, then any fees or payments made to you personally are outside the scope of VAT.

4. Directors

4.1 Supply of a director

Your company may be approached by a second company to provide an employee or director to serve as a director of the second company. In these circumstances the normal rules relating to supplies of staff apply and your company must account for VAT on any payment it receives for agreeing to the appointment.

4.2 Common Directors

An individual may act as a director of a number of companies. For convenience one company may pay all the director's fees and then recover appropriate proportions from the others.

The individual's services, such as attending meetings or approving expenditure, are supplied by the individual to the companies of which they are a director. The services are supplied directly to the relevant businesses by the individual and not from one company to another. Therefore there is no supply between the companies and so no VAT is due on the share of money recovered from each company.

4.3 The right to appoint a director

This often occurs in situations where one company is investing in another and is exercising a legal or contractual right to appoint a director to the board of the company in which they are investing. The director is usually selected because of their specialist knowledge and is appointed to give expert advice to the other company.

Typically a fee is charged by the company appointing the director and is paid by the company the director is appointed to. Where this involves the director giving advice and taking an active part in the running of the other company then a supply is made by the director's original company and the fee is taxable.

But if a director is appointed as a legal or contractual right, but does not give expert advice and does not take an active part in the running of the company, then this is not a supply for VAT purposes. Any fee is therefore outside the scope of VAT.

4.4 Appointment as a director in a personal capacity

An individual director or employee of your business may personally arrange to be appointed as a director of a second company. They may receive payment from that company in return. But your company is not required to account for any VAT on payments made to the director, provided this is both:

- a purely personal appointment
- not a means for your company to provide services (for example as consultancy)

5. Staff bureaux

5.1 Introduction

Staff bureaux normally operate in one of 3 ways.

5.1.1 Acting as a principal supplying its own staff

The staff may be employed by the bureau under a contract of service or engaged by the bureau under a contract for services. But in either case they supply their services to the bureau which then makes an onward supply as principal to the client.

5.1.2 Acting as agent for the client

Under these arrangements the bureau acts as an agent for the client and finds workers who then enter into a direct contract with the client. This is an

introductory service and not a supply of staff. The bureau must account for VAT on its agency charges to the client.

5.1.3 Acting as agent for both the client and the worker

Where a bureau is an agent for both parties it supplies its services to both of them. When it has performed these introductory services it will usually withdraw and the continuing contractual relationship will be directly between the worker and employer.

6. Secondment of staff by businesses other than employment businesses

6.1 Meaning of secondment by an employer

An employer (other than an employment business within the meaning of the Employment Agencies Act 1973) may second a member of its staff (the employee) to another business which:

- (a) exercises exclusive control over the allocation and performance of the employee's duties during the period of secondment
- (b) is responsible for paying the employee's remuneration directly to the employee
- (c) discharges the employer's obligations to pay to any third party PAYE, National Insurance contributions, pension contributions and similar payments relating to the employee

The payments mentioned in paragraphs (b) and (c) form the consideration, or part of the consideration for the secondment of the employee to the other business, shall be disregarded in determining the value of seconding the employee. You'll need to read paragraph 2.3.

6.2 Exceptions

An employer shall not be treated as seconding an employee to another business, if the placing of the employee with that other business is done with a view to the employer's (or any other person associated with them) deriving any financial gain from either:

- (a) the placing of the employee with the other business
- (b) any other arrangements or understandings (whether or not contractually binding and whether or not for any consideration) between the employer (or any other person associated with him) and the other business (or any person associated with it) with which the employee is placed

7. Placement of disabled workers under the Sheltered Placement Scheme (or any similar scheme)

Where the sponsor of a disabled worker that places the worker with a host company under the Sheltered Placement Scheme (or any similar scheme), the host company might:

(a) be responsible for paying the worker's remuneration directly to the worker

(b) discharge the sponsor's obligations to pay to any third party PAYE, National Insurance contributions, pension contributions and similar payments relating to the worker

The payments mentioned in paragraphs (a) and (b) that form the consideration, or part of the consideration, for placing the worker with the host company, will be disregarded in determining the value of placing them with the host company. You'll need to read paragraph 2.3 to help you calculate the value of your services.

Your rights and obligations

Read the [HMRC Charter \(https://www.gov.uk/government/publications/hmrc-charter\)](https://www.gov.uk/government/publications/hmrc-charter) to find out what you can expect from us and what we expect from you.

Help us improve this notice

If you have any feedback about this notice, email: customerexperience.indirecttaxes@hmrc.gov.uk.

You'll need to include the full title of this notice. Do not include any personal or financial information like your VAT number.

If you need general help with this notice or have another VAT question you should contact our [VAT Helpline \(https://www.gov.uk/government/organisations/hm-revenue-customs/contact/vat-enquiries\)](https://www.gov.uk/government/organisations/hm-revenue-customs/contact/vat-enquiries).

Putting things right

If you're unhappy with HMRC's service, contact the person or office you've been dealing with and they'll try to put things right.

If you're still unhappy, find out [how to complain to HMRC](https://www.gov.uk/complain-about-hmrc) (<https://www.gov.uk/complain-about-hmrc>).

How HMRC uses your information

Find out [how HMRC uses the information](https://www.gov.uk/government/organisations/hm-revenue-customs/about/personal-information-charter) (<https://www.gov.uk/government/organisations/hm-revenue-customs/about/personal-information-charter>) we hold about you.

Published 6 June 2012

Last updated 31 December 2020 [+ show all updates](#)



OG

All content is available under the [Open Government Licence v3.0](#), except where otherwise stated



© Crown copyright