

Umbrella contractors can still claim travel and subsistence – here's how

Umbrella company contractors are still able to compliantly claim travel and subsistence (T&S) expenses tax relief without creating additional administration for their umbrella companies.

HMRC's compliance requirements surrounding its new T&S rules are deemed to be excessive by many umbrella companies. As a result, it is feared that many more contractors will miss out on expenses relief.

However, contractors who wish to continue claiming expenses can do so without adding to their umbrella company's paperwork through **SDC Testing**, a new tool launched by ContractorCalculator and **Qdos** to aid compliance with 'supervision, direction or control' (SDC).

"SDC Testing is a fully automated, insurance backed test that can batch test thousands of contractors at a time," explains ContractorCalculator CEO **Dave Chaplin**. "It significantly reduces the in-house processing cost for umbrellas, whilst ensuring contractors are able to continue claiming expenses in a compliant manner."

What are the T&S rules?

Newly implemented legislation determines that contractors considered to be under the SDC of anybody in the supply chain as to the manner that they are asked to carry out their work will no longer be eligible to claim T&S.

This rules out a significant portion of umbrella contractors, as well as all contractors who are caught by IR35. However, those able to prove that they aren't subject to SDC will be able to continue claiming this relief.

The main hurdle to claiming T&S is the added administrative burden. HMRC guidance for intermediaries about identifying SDC offers little clarity. As a result, it is expected that many risk-averse umbrella firms will stop offering T&S altogether, rather than undertake mountains of paperwork to prove a contractor isn't subject to SDC.

Who does – and doesn't – qualify for T&S?

Contractors can continue to claim T&S expenses relief, providing nobody has the right to supervise, direct or control them in the manner in which they carry out their work. **HMRC guidance defines** 'supervision', 'direction' and 'control' as the following:

"Supervision is someone overseeing a person doing work, to ensure that person is doing the work they are required to do and it is being done correctly to the required standard."

"Direction is someone making a person do their work in a certain way by providing them with instructions, guidance or advice as to how the work must be done."

"Control is someone dictating what work a person does and how they go about doing that work. Control also includes someone having the power to move the person from one job to another."

The wording within the legislation is key. HMRC refers to SDC applying 'as to the manner' [**ESM2055**] in which the contractor carries out their work. This means that a contractor can be subject to supervision to some extent – as is the case in almost any exchange of services – provided they aren't given any detailed instruction as to how to carry out the task.

Umbrella companies perceive high compliance burden

The subjective nature of the 'SDC test', coupled with the ambiguous guidance provided by HMRC, has prompted concern amongst umbrella companies that the compliance burden will mean processing expenses is simply not worthwhile.

The umbrella company is responsible for proving to HMRC that a contractor isn't subject to SDC, rather than vice-versa. However, HMRC has stated that it isn't prescriptive in what evidence it will consider persuasive, claiming each instance will depend on individual arrangements. This leaves a contractor's status indeterminate until HMRC has had the final say.

Umbrellas are also expected to continually monitor the status of their contractors to remain compliant. This should include regular SDC testing, although exactly how regularly is seemingly also open to the umbrella company's interpretation.

SDC Testing: How does it work?

An alternative, admin-light solution comes courtesy of ContractorCalculator and Qdos, who have built an [online SDC testing tool](#). This enables umbrella companies to quickly and efficiently process thousands of workers whilst allowing contractors to compliantly claim expenses. It also offers underwritten insurance for those contractors whose expenses are processed.

Contractors are asked to complete SDC Testing's automated compliance test, which captures a comprehensive understanding of their working situation. Their answers are then analysed using a bespoke algorithm, based on expert knowledge of tax and employment legislation and case law.

The contractor will then be provided with an assessment, consisting of a risk profile and extensive compliance recommendations, from which the umbrella company bases their decision whether or not to process their expenses.

Umbrellas also have the option to insure contractors who claim T&S. The insurance package includes cover against a negative judgement in the instance of a HMRC investigation, as well as a rigorous tax defence.

SDC Testing: What are the benefits?

Developed by industry experts, SDC Testing offers guaranteed compliance to contractors, without incurring any unnecessary overheads for their umbrella companies who can process multiple contractors at a time.

This offers a superior alternative to HMRC's manual test and will hopefully reduce the amount of risk-averse umbrellas unwilling to process expenses. In turn, more contractors can continue to claim the T&S expenses relief they deserve.

Further reducing the administrative burden on umbrellas, SDC Testing comes with a comprehensive API, enabling firms to reduce workload by integrating back office systems for greater automation.

SDC Testing: Security of data

SDC Testing's system is created in the cloud on Amazon Web Services AWS, which is used by many major blue chip companies, including Netflix. The data is secure and not shared with any third parties.

The tool also includes a 'candidate privacy option' for umbrellas who don't wish to share their contractor's details. With this option, umbrella companies can import thousands of contractors using only their unique worker reference. Each contractor will then have a unique test link provided to them, which umbrella firms can distribute using their own systems.

Alternatively, umbrella companies can opt for the client to host a 'web hook' API which the tool will connect to with the contractor's reference and link. This will allow the client's systems to determine the contractor's details and email the test link to them. The system is built in-house by the ContractorCalculator development team and is highly flexible.



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Dave Chaplin is a former IT contractor in the City of London, and is founder and CEO of ContractorCalculator, and author of the Contractors' Handbook.

Started in 1999, ContractorCalculator (this site) is the leading independent website for the UK contracting industry – most of whom are highly skilled knowledge workers. [Read Full Profile...](#)

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If you are a contractor, please ask your umbrella company to [contact the SDC Testing team](#) to discuss them joining our current Beta program. Or if you are an umbrella company and want a cost effective method of processing SDC compliance for all your workers then please get in touch.

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