

What is a Key Information Document (KID)?



Contractors working 'inside IR35' under the Off-Payroll rules should expect to receive a Key Information Document (KID) from their agency at the beginning of each new contract.

A new initiative designed to deliver transparency and prevent unwitting engagement with tax avoidance schemes, KIDs are supposed to provide workers with an overview of how any fees and deductions will impact their take-home pay.

This enables contractors to make a fully informed decision regarding their next contract and exposes any red flags indicating potential non-compliant tax treatment of their earnings.

What should be included in a Key Information Document?

[Government guidance for agencies](#) highlights several facts that should be included within a KID, including the identities of both the agency and worker, as well as the contract type. But given that KIDs are intended to offer clarity regarding the treatment of their pay within the supply chain, the most important details include:

- The contract rate
- Payment intervals
- Statutory deductions
- Calculations of any non-statutory deductions
- Any fees for goods or services charged to the worker
- The worker's holiday pay entitlement

Agencies can also add any supplementary information relating to the contract and pay, such as details of any existing notice period and the agency's commitment to pay the worker even if it hasn't received payment from the hirer.

When should a Key Information Document be produced?

Recruiters are required to provide each worker with a KID prior to agreeing contractual terms to ensure that the worker has all the necessary

information to hand before deciding.

As it is to be provided before the parties agree terms, the KID is not intended to be fully representative of the final contractual terms that the worker may ultimately agree to. Instead, it is intended to provide each worker with a clear overview of some important aspects of their proposed engagement, namely how their pay is to be affected by fees and deductions made throughout the supply chain.

If a worker agrees consecutive assignments via the same agency, the agency is only required to issue a revised KID if the payment terms differ from those during the previous engagement.

Where an umbrella company or other intermediary is involved in the supply chain, the agency needs to provide a KID to both the umbrella and the worker. This should clearly highlight the difference between the gross amount paid to the umbrella and their net amount following income tax and employee's National Insurance Contributions (NICs).

Key Information Documents are a legal requirement from April 2020

Agencies are already legally required to provide each worker with a KID and have been since [regulation 13A of the Conduct Regulations 2003](#) was enacted in April 2020.

However, in January 2021, [IR35 Shield's 'IR35 Road Ahead' survey](#) exposed limited uptake among agencies, revealing:

- 86% of contractors claimed they hadn't been provided with a KID for their last contract
- 67% of respondents weren't even aware of what a KID is

The findings suggest that there is a lot of work to be done by the Employment Agency Standards inspectorate (EAS), the Government body tasked with enforcing compliance through the initiative. However, whereas many agencies may not readily provide workers with a KID, contractors working 'inside IR35' are still very much advised to request one for reasons detailed below.

Why contractors should ask for a Key Information Document

When issued, KIDs provide the information needed to protect contractors and other temporary workers against mistreatment, unlawful deductions, and even unwitting involvement in tax avoidance schemes.

This is particularly important considering the rife [non-compliant practices exhibited in the public sector](#) when the Off-Payroll rules first became live in April 2017. Though the legislation requires that the hirer fund employment taxes for contingent workers deemed within scope of the rules, many 'inside IR35' contractors report having had employer's NI and Apprenticeship Levy contributions deducted from their contract rate.

This was reinforced within the qualitative data from IR35 Shield's survey, in which many respondents revealed that their pay had been subject to these deductions, which are prohibited by the [Social Security Contributions and Benefits Act \(SSCBA\)](#). Meanwhile, some contractors have even had payroll processing charges deducted from their contract rate, which is [in direct breach of the Conduct Regulations 2003](#).

The Off-Payroll rules have also prompted a proliferation of tax avoidance schemes within the unregulated umbrella industry. With many agencies promoting the use of umbrella companies to rid themselves of their obligations under the Off-Payroll rules, contractors encouraged to work via an umbrella company must be certain that it is compliant from a tax perspective.

Otherwise, those who wind up in engagements with non-compliant providers risk damaging backdated tax bills and penalties years later, in a repeat of what is currently happening to an estimated 50,000 victims of the [controversial Loan Charge](#).

Why agencies should provide a Key Information Document

The obvious reason why agencies should provide workers with a KID is that it is a legal requirement, and while enforcement of the initiative appears to have been non-existent, this pattern cannot be expected to continue for long.

Besides this, KIDs could also help provide recruiters with a competitive edge in a heavily populated market. As contractors seek to avoid succumbing to the various non-compliant arrangements that have arisen due to the Off-Payroll rules, the provision of a KID may soon be viewed as the benchmark of a compliant agency.

Therefore, recruiters that adopt KIDs as a part of their processes will likely become a more attractive proposition for contingent workers seeking their next contract. Meanwhile, those that fail to provide a KID will increasingly risk the breakdown of engagements before contract

terms have even been agreed.

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