

Case Study

Outsourced contract payroll solutions

Challenge

We partnered with a niche Biotech in Europe who were rapidly expanding and had a need to increase contractor numbers. A contractor who we supplied discovered that some other contractors appeared to be taking a higher hourly rate, however they were not aware that the others weren't working in a compliant manner.

Our solution

The Proclinical Engage team were able to advise both the business and the contractor around the 183 day "rule" which does not apply in situations of a one-person limited company (UK PSC for example). Contractors working on site are liable for tax and social security on that derived income in the work country from **day one and for the duration of the assignment**. They were not exempt simply because:

- 1.They spend less than 183 days in the other European country.
- 2.They are invoicing from a UK entity (i.e. a UK PSC).
- 3.They are paid from a UK entity (i.e. our partner's UK registered entity)

We have seen **liabilities and unpaid tax claims for up to €500,000 in some cases but many more for €100-150,000 which were levied at the agencies in the UK**, as the end-client's contract had stipulated that compliance was the liability of the agency. These fines could drive some agencies out of business or at best delay payments to the contractors. Add to this, if there is no local tax registration in place, the end-client can also be seen to be the employer (as no one else is) and as such the contractor would be free to claim the normal benefits that were applicable to their own permanent staff. They would then be left with employees – precisely what was NOT intended in the first place.

Result

We worked with the organisation by reviewing their contractors, subsequently identifying 26 uncompliant contractors which posed a significant amount of risk to them. Together, we formulated a plan to take on their existing contractors to provide them with a compliant workforce, and at the same time reducing their current fees.