

Pay arrangements and tax avoidance



Supply teachers have a vital role in raising and maintaining high educational standards in schools. Campaigning to secure professional entitlements for supply teachers is a key priority of the NASUWT, together with securing decent pay and working conditions for all supply teachers.

As a supply teacher, or someone working in temporary or short-term contracts, your employment arrangements can be more complex than those of permanent teachers. In turn, this can lead to increased complexity when it comes to dealing with your tax affairs. In conjunction with Her Majesty's Revenue and Customs (HMRC), the NASUWT has put together this guidance to assist you.

The aim of the guidance is to help you avoid potential pitfalls and manage your tax affairs more effectively, particularly in respect to situations which could result in tax avoidance.

Your employment **status** for tax is important, as this will determine whether or not you are subject to PAYE and what deductions and reliefs you may be able to claim. Whether you are employed or self-employed for tax purposes is not a matter of choice but is determined by the terms and conditions under which you work.

The overwhelming majority of supply teachers in England and Wales are employed through an employment agency and/or umbrella company.¹ As a consequence, the situation regarding the arrangements for pay and tax purposes can sometimes appear more complex, so it is best to check your own pay arrangements before you sign anything.

Some umbrella companies do not comply with the tax rules and attract people by offering higher take-home pay than they are entitled to. There is [GOV.UK](#) guidance on what it is like to work through an umbrella company and how you will be paid.

If you work through your own limited company, you will also need to understand the **off-payroll working rules**, commonly known as IR35.

Use the Check Employment Status for Tax (CEST) **tool** to find out if you should be classed as employed or self-employed for tax purposes.

The risks of using tax avoidance schemes

Many employment agencies and umbrella companies comply with the tax rules and correctly deduct tax and National Insurance contributions (NICs), but you should be wary of companies which claim to let you keep more of your income by reducing your tax liability. These arrangements are not likely to be tax compliant.

Those who promote such arrangements often tell supply teachers that the schemes operate within the tax rules. They claim they will take care of your tax and NICs on your behalf.

¹ <https://www.nasuwat.org.uk/uploads/assets/uploaded/86bdc899-7b47-49e0-99a0e544ffa10977.pdf> and <https://www.nasuwat.org.uk/uploads/assets/uploaded/4e47d9c5-989a-4a33-a3218393d657dcfc.pdf>.

Be wary of these claims. You are ultimately responsible for your own tax affairs. So you need to check this, even though you are paid through PAYE and your employer or umbrella company pays your tax and NICs for you.

Make sure you understand how you are being paid. If you are unsure about what is being offered by a company, you should seek professional, independent **advice** first, in order to avoid putting yourself in a situation where you are at risk of tax avoidance.

Anyone found to have used a tax avoidance scheme will be liable to pay the tax that is legally due, plus interest, as well as any associated penalty. That is on top of any fees that you have paid the person who sold you the scheme.

HMRC has published information on [GOV.UK](https://www.gov.uk) so agency workers, such as supply teachers, are better informed and know what to look out for.

What do tax avoidance schemes look like?

If something looks too good to be true, then it almost certainly is, particularly if it claims to enable you to take home more pay than you would expect. This could involve complex steps such as signing up to loans from an offshore trust in order to be paid.

HMRC launched a **Tax avoidance: don't get caught out** national campaign to help agency workers, such as supply teachers, understand the risks of using tax avoidance schemes and how they could be sold to them.

Check how you are being paid

Understanding how you are being paid is the best way to make sure you do not get caught up in tax avoidance.

Checking your payslips and contractual arrangements will help you confirm you are paying the right amount of Income Tax and NICs, so you do not get an unexpected tax bill later.

Things to look out for include:

- receiving more money in your bank account than is shown on your payslip;
- receiving untaxed payments like loans or capital advances.

To understand more about what your payslip should look like, read the [payslip guidance](#).

You can also use the [interactive risk checker](#) to see whether your current contract could involve tax avoidance.

What to do if you think you are in an avoidance scheme

If you suspect you are already involved in a tax avoidance scheme, you should contact HMRC as quickly as possible. HMRC will assist you and help you settle your tax affairs accordingly.

HMRC will not be judgemental and will look to assist you if you are unable to settle any unpaid or outstanding tax in one go. You can contact HMRC at: counteravoidancecampaign@hmrc.gov.uk.

Alternatively, if you think you have spotted a tax avoidance scheme, you can report it by using the [Report Tax Fraud Online form](#). Please make sure you enter the word 'COCA' in the 'Other information' section. You can also phone HMRC on 0800 788 887 (outside the UK +44 (0)203 080 0871).

Further advice and guidance is available at: [Tax avoidance: getting out of an avoidance scheme](#).



E-mail: advice@mail.nasuwt.org.uk
Website: www.nasuwt.org.uk