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**REMOVING THE RISKS OF JOINT  
AND SEVERAL LIABILITY**

**JSL DIRECT PAYEE PAYMENT  
CLIENT BRIEFING**

# Finance Bill 2025-26 – Joint and Several Liability with Direct PAYE Payments

From 6 April 2026, the Finance Bill introduces joint and several liability (JSL) provisions in relation to umbrella companies. Recruitment agencies and, in some cases, end clients may be liable for unpaid PAYE. This note explains how direct PAYE payments by agencies or clients can neutralise that liability.

## Core Principle

JSL makes agencies and end clients liable for PAYE not remitted by umbrellas. However, if an agency or client pays PAYE directly to HMRC under the umbrella's PAYE reference, and the payment is correctly allocated, the umbrella's liability is discharged for that amount.

## Direct Payments – Key Effect

1. Payment under umbrella's PAYE reference discharges the umbrella's liability.
2. Employer obligations (RTI, payroll operation) remain with the umbrella.
3. If all PAYE is settled, JSL has no practical effect.

## Requirements for Protection

1. Contractual authorisation from the umbrella to pay on its behalf.
2. Correct HMRC payment references (13-digit Accounts Office ref + period suffix).
3. Retention of proof – HMRC statements, bank confirmations, audit trail.

## Risks & Considerations

1. Misallocation – using the wrong reference leaves liabilities outstanding.
2. Contractual gaps – no evidence of authorisation may create disputes.
3. Umbrella still responsible for RTI filings and employment law duties.
4. Residual JSL risk if payments are partial, late, or unmatched.

## Liability Chain

Umbrella → Relevant Party [Agency or End Client]

If PAYE is unpaid or misallocated, HMRC will recover from agencies or end clients.

Direct, correct payment under the umbrella's reference prevents this.

## Conclusion

Direct PAYE payments by agencies or clients, made under the umbrella's PAYE reference and properly matched to RTI submissions, provide a practical way to neutralise joint and several liability.