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

**JSL STRICT LIABILITY
CLIENT BRIEFING**

What “Strict Liability” Means in The Context of JSL

1. The clause imposes strict, absolute liability on the “relevant parties” (typically the top recruitment agency in the chain, or the end client if there is no agency) for any unpaid PAYE debts of an umbrella company.
2. Under strict liability there is no statutory defence available. That means you cannot avoid liability by showing you took reasonable steps or had a lack of knowledge of non-compliance downstream. The law makes liable parties responsible regardless.

Where Strict Liability Applies

Triggered when the umbrella company fails to account for, or remit, PAYE obligations properly.

Applies to “relevant parties”:

1. The agency that holds the contract with the end client (or the Managed Service Provider in complex chains).
2. The end client itself, if no agency is involved in the chain.
3. The end client where the umbrella and agency are connected.

How It Interacts With Other Provisions (JSL, Purported Umbrella)

1. The strict liability clause is part of the broader Joint and Several Liability (JSL) framework. Under JSL, several parties share liability; strict liability means that among those, the burden cannot be avoided, regardless of the degree of oversight.
2. The “purported umbrella company” provision works alongside strict liability: if an umbrella-type arrangement is mis-structured then the strict liability (via JSL) can apply even more broadly.

Limitations / Things That Are Not Changed

1. Strict liability does not change who is the legal employer: the umbrella company remains the employer under the legislation (for many purposes). Paying under someone else’s reference (e.g. agency paying under umbrella reference) may discharge the PAYE debt but doesn’t make the agency the employer by default.

Takeaway

The strict liability clause in the Finance Bill 2025-26 is among the most significant compliance shifts in the umbrella company sector: it means that agencies and end clients can no longer rely on “I didn’t know” or “I took reasonable care” as a shield if an umbrella company fails in its PAYE/NIC duties. For those who work with umbrella companies, preparing ahead is no longer optional — it’s a necessity.

The best way to neutralise JSL is to pay the liability directly to HMRC, where there is no unpaid PAYE JSL is not triggered.

You cannot audit your way out of JSL.