



# HM Revenue & Customs



**Labour supply chains featuring umbrella companies - are you ready for April 2026?**

## **Audience Question:**

If I have settled the full liability directly with HMRC for my workers and the umbrella fails leaving a PAYE debt, will I have to pick up some of that liability too?

### **HMRC Answer:**

**If any relevant party has paid the PAYE liabilities to HMRC there will be nothing to pursue. HMRC will only pursue liabilities from relevant parties if there is amounts outstanding.**

## **Audience Question:**

If we have relied on payslip checks and RTI checks and there is a shortfall in PAYE will these checks be an allowable excuse against JSL or will JSL still apply?

### **HMRC Answer:**

**The liability will still apply.**

## **Audience Question:**

If an umbrella enters administration owing tax to HMRC, will HMRC wait until the end of the insolvency proceedings, or seek to immediately claim the missing PAYE/NICs from a “relevant party” under JSL?

### **HMRC Answer:**

**Where PAYE is not properly remitted to HMRC, HMRC will seek payment from the agency that provides the worker to the end client. Where there is no agency in the chain, HMRC will seek payment from the end client.**

## **Audience Question:**

If I have settled the full liability directly with HMRC for my workers and the umbrella fails leaving a PAYE debt, will I have to pick up some of that liability too?

### **HMRC Answer:**

**Relevant parties are only jointly and severally liable for amounts due in relation to the workers that they have supplied (in the case of recruitment agencies) or used (in the case of clients). If this liability has been settled, then there will be nothing for HMRC to recover from a relevant party.**

**Audience Question:**

How much checking of umbrella company, or subcontract labour provider, is acceptable level of checking to prevent HMRC coming after us for outstanding PAYE/NI

**HMRC Answer:**

It's a commercial decision by engagers to use workers employed through umbrella companies. In the event of non-compliance by the umbrella company, the agency or end client engaging the umbrella company remains joint and severally liable in all cases. Engagers should act to prevent fraudulent operators entering the supply chain. HMRC has provided due diligence guidance which details how to undertake and record due diligence checks and will help with engagers to recognise the behaviours of a non-compliant umbrella company.

**Audience Question:**

If an agency can show they sent all the money to the umbrella, including the amount to cover PAYE, and the umbrella fails to pay it all to HMRC will the agency still get a liability?

**HMRC Answer:**

Where an umbrella company fails to properly remit PAYE to HMRC, HMRC will seek payment from the agency that supplies the worker to the end client. Where there is no agency in the chain, HMRC will seek payment from the end client.

**Audience Question:**

Can accreditations or certifications provide any protection for an agency under the JSL rules?

**HMRC Answer:**

No

**Audience Question:**

If an agency and umbrella are controlled by the same shadow directors, does that mean a client is a "relevant party", or can the client rely on a defence having checked the directors on companies' house?

**HMRC Answer:**

The definition of connected parties that is applicable for Chapter 11 is drawn from s993 of the Income Tax Act 2007. If this is met and the umbrella company and agency that supplies the worker to the end client are connected then the end client will be a relevant party, in addition to the agency.

**Audience Question:**

Are there any checks that can be carried out and used as an excuse to avoid JSL where a shortfall applies?

**HMRC Answer:**

Agencies or end clients that choose to use umbrella company suppliers in their labour supply chains will want to undertake due diligence on those suppliers to mitigate any risks to their businesses. But there is no statutory excuse that will apply to remove the liability.

**Audience Question:**

if we have an RTI report and payslip check report to confirm that all calculations are correct for our workers, could we use that as proof we paid our PAYE to the umbrella under JSL rules?

**HMRC Answer:**

Agencies and end clients that choose to use umbrella company suppliers in their labour supply chains will want to conduct due diligence on those suppliers to mitigate the risks to their business. This could include checking RTI reports and payslips. However, where PAYE is not properly remitted to HMRC, the agency will remain liable for the shortfall.

**Audience Question:**

If our umbrella has provided proof to us that the PAYE was paid and then a liability arises, would we still be liable as our umbrella company showed us proof of the payment?

**HMRC Answer:**

Yes

**Audience Question:**

If the term is 'Jointly and severally liable' why would HMRC pursue just the agency? (not the umbrella first or at the same time?)

**HMRC Answer:**

Joint and several liability allows the umbrella company to discharge the liability by correctly operating PAYE on payments. Where PAYE is not operated correctly, the Government's policy is that HMRC will pursue the agency that supplies the worker to the end client. This was announced by the Chancellor at Budget 2024.

**Audience Question:**

Is there any proof our umbrella company can provide to us that would illuminate the JSL liability for us?

**HMRC Answer:**

No. There is no statutory excuse that removes the liability from the agency.

**Audience Question:**

If an umbrella falsifies their proof of payment of PAYE to the agency who has tried to perform due diligence, does the "there is no statutory excuse that removes the liability from the agency" still apply?

**HMRC Answer:**

**Yes. There is no statutory excuse that removes the liability.**

**Audience Question:**

So, being a simpleton, in simple terms, no matter what checks you carry out, when there is an issue with a payment of PAYE, HMRC will ultimately go after the agency? So, the agency carries all the risk?

**HMRC Answer:**

**Yes**

**Audience Question:**

What is the purpose in demonstrating to HMRC that due diligence has been taken in selecting umbrella suppliers?

**HMRC Answer:**

**There is no requirement to demonstrate to HMRC that due diligence has been carried out. Due diligence is a process to mitigate risk for the agency.**

**Audience Question:**

If an umbrella company engages with lots of recruitment businesses, how will each agency know if their workers tax is paid in the event the umbrella defaults on only a proportion of the total payment to HMRC (i.e. how to know which agency will owe if only some tax is missed)

**HMRC Answer:**

**The rules limit the extent of an agency's or client's joint and several liability to the amounts that are due to be paid under PAYE in relation to the services provided by the worker to each client. Where a payment by an umbrella company is in respect of multiple engagements, the tax liability will need to be apportioned between each engagement. Any shortfall will also need to be apportioned.**

**Audience Question:**

If an agency and umbrella are jointly liable who would HMRC come to 'first' for the shortfall?

**HMRC Answer:**

**HMRC will pursue the agency to make good any shortfall.**

**Audience Question:**

Have I understood this correctly? - Where there is a shortfall, HMRC will pursue the agency for the unpaid tax, NOT the umbrella that failed to pay the correct amount?

**HMRC Answer:**  
**Yes.**

**Audience Question:**

Can an agency pay HMRC the tax due directly before paying the umbrella company therefore eliminating risk?

**HMRC Answer:**  
**Yes**

**Audience Question:**

Can an end client or agency pay the umbrella company the net pay for the worker and withhold NICs and PAYE taxes and pay it over to HMRC themselves?

**HMRC Answer:**  
**Yes.**



Find out how Professional Passport Fortis can answer all these questions and neutralise the impact of JSL for the supply chain.

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