



Date: 25th November 2009

GLA focus on 'tax free' allowance schemes

The GLA is clamping down on those Gangmasters and 'Umbrella companies' who abuse tax free allowances for workers as a method of undercutting rivals. Where these businesses breach licensing standards, their licences will be revoked.

Guidance has been issued today with a 12 week warning to comply before enforcement action begins. If labour providers and umbrella companies do not heed this warning the GLA will take action from the 17 February 2010.

Also where non compliance is proven, in addition to GLA action, HM Revenue & Customs (HMRC) will take action to seek arrears of tax, national insurance and national minimum wage, with penalties and interest also being sought where appropriate.

Paul Whitehouse, Chairman of the Gangmasters Licensing Authority said:

"We have issued clear guidance, and the industry has been given 12 weeks to ensure they comply. There are no excuses and we will come down hard on anyone who is operating illegal schemes from the 17 February 2010"

The schemes that are often known as travel schemes, travel and subsistence schemes or mobile worker schemes were initially set up to benefit self employed contractors but they have now become prevalent with labour providers making it compulsory for their minimum wage workers.

The legitimacy of the scheme depends on whether the expenses paid by the employer have genuinely been incurred by the worker, and whether it may then breached the national minimum wage.

The GLA has recently seen cases where minimum wage workers have well over 50% of their pay attributed to expenses, leaving their actual salary and the taxable amount as low as £97 for a 38hr week.

The concern of the GLA and some within the industry is that more and more companies are using these schemes to benefit themselves and allow them to offer reduced rates to customers undercutting those not using these schemes. Although the workers may possibly receive more take home pay if they had not actually incurred the expenses in the first place,

the reduction in national insurance payments could have an impact on their contributory tax benefits, such as pensions and job seekers allowance.

Notes to editors

1. The schemes may breach three GLA licensing standards covering minimum wage, tax and national insurance and 'work finding fees' when workers are forced to pay a fee to join the compulsory scheme, that will mean that the workers will in effect be charged a fee just to receive their pay slip.
2. Where Umbrella Companies employ the workers who are supplied into GLA sectors they will need to be licensed. If they are supplying workers without a licence the GLA will Consider whether the case is suitable for prosecution.
3. The Gangmasters Licensing Authority (GLA) was set up to curb the exploitation of workers in the agricultural, horticultural, shellfish gathering and associated processing and packing industries.
4. The majority of workers involved in these industries come from countries such as: Romania, Poland, Slovakia, Hungary, Bulgaria, Lithuania, Latvia, Pakistan and Portugal.
5. So far, 1,185 labour providers hold a GLA licence. Over 100 licenses have been revoked (8 with immediate effect). Two people and one business have been prosecuted for operating without a licence, with more prosecutions forthcoming.
6. The GLA stepped up its fight against those who abuse workers with the launch of Operation Ajax in June 2008. The operation was set up to increase the GLA's activities with an 18 month programme of unannounced raids.
7. Anybody who would like advice on their employment rights or who would like to complain about exploitation in any sector of the economy should contact the Pay and Work Rights Helpline on 0800 917 2368 or textphone 0800 121 4042.
8. Anybody who is aware of exploitation can contact the GLA on 0845 602 5020 or report anonymously at www.gla.gov.uk/report

End

Public enquiries: 0845 602 5020

Media enquiries: 0115 900 8962

www.gla.gov.uk