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STATUTORY INSTRUMENTS

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**2000 No. 727**

**The Social Security Contributions  
(Intermediaries) Regulations 2000**

**[<sup>F1</sup>Part 1**

Intermediaries – general provisions and workers' services provided to small clients]

**Worker's attributable earnings—calculation**

7.—(1) For the purposes of regulation 6(3)(a) the amount of the worker's attributable earnings for a tax year is calculated as follows:

*Step One*

Find the total amount of all payments and benefits received by the intermediary in that year under the arrangements [<sup>F1</sup>but excluding amounts on which Class 1 or Class 1A contributions are payable by virtue of regulation 3 or 4 of the Social Security Contributions (Limited Liability Partnership) Regulations 2014], and reduce that amount by 5 per cent.

*Step Two*

Add the amount of any payments and benefits received by the worker in that year under the arrangements, otherwise than from the intermediary, that—

- (a) are not chargeable to income tax [<sup>F2</sup>as employment income under ITEPA 2003], and
- (b) would be so chargeable if the worker were employed by the client.

*Step Three*

Deduct the amount of any expenses met in that year by the intermediary that under [<sup>F3</sup>ITEPA 2003] would have been deductible from the [<sup>F4</sup>taxable earnings of the employment, within the meaning of section 10 of ITEPA 2003, in accordance with section 327(3) to (5) of that Act] if the worker had been employed by the client and the expenses had been met by the worker out of [<sup>F5</sup>those earnings].

*Step Four*

Deduct the amount of any capital allowances in respect of expenditure incurred by the intermediary in that year that could have been claimed by the worker [<sup>F6</sup>under Part 2 of the Capital Allowances Act 2001 (plant and machinery allowances) by virtue of section 15(1)(i) of that Act (which provides that employment is a qualifying activity for the purposes of that Part)] if the worker had been employed by the client and had incurred the expenditure.

*Step Five*

Deduct any contributions made in that year for the benefit of the worker by the intermediary to [<sup>F7</sup>a registered pension scheme for the purposes of Part 4 of the Finance Act 2004]<sup>M1</sup> that if made by an employer for the benefit of an employee would not be chargeable to income tax as

income of the employee<sup>[F8]</sup>, and any payments made in that year in respect of the worker by the intermediary in respect of any of the Pensions Act levies].

This does not apply to excess contributions made and later repaid.

*Step Six*

Deduct the amount of secondary Class 1 contributions and Class 1A contributions paid by the intermediary for that year in respect of earnings of the worker.

*Step Seven*

Deduct—

- (a) the amount of any payments made by the intermediary to the worker in that year that constitute remuneration derived from the worker's employment by that intermediary including, where the intermediary is a body corporate and the worker is a director of that body corporate, payments treated as remuneration derived from that employment by virtue of regulation<sup>[F922(2)]</sup> of the Contributions Regulations<sup>M2</sup> (payments to directors to be treated as earnings), but excluding payments which represent items in respect of which a deduction was made under Step Three<sup>[F10]</sup> and payments within paragraph 25 of Part 10 of Schedule 3 to the Contributions Regulations], and
- (b) the amount of any benefits provided by the intermediary to the worker in that year, being benefits that constitute amounts of <sup>[F11]</sup>general earnings] in respect of which Class 1A contributions are payable, but excluding any benefits which represent items in respect of which a deduction was made under Step Three.

If the result at this point is nil or a negative amount, there are no worker's attributable earnings for that year.

*Step Eight*

Find the amount that, together with the amount of secondary Class 1 contributions payable in respect of it, is equal to the amount resulting from Step Seven (if that amount is a positive amount).

*Step Nine*

The result is the amount of the worker's attributable earnings for that year.

(2) Where section 559 of the Taxes Act applies (sub-contractors in the construction industry: payments to be made under deduction) the intermediary is treated for the purposes of Step One of the calculation in paragraph (1) as receiving the amount that would have been received had no deduction been made under that section.

(3) For the purpose of calculating the amount of deductible expenses referred to in Step Three of the calculation in paragraph (1) it shall be assumed that all engagements of the worker under the arrangements involving the intermediary are undertaken in the course of the same employment.

(4) For the purposes of this regulation any necessary apportionment shall be made on a just and reasonable basis of amounts received by the intermediary that are referable—

- (a) to the services of more than one worker, or
- (b) partly to the services of the worker and partly to other matters.

(5) For the purposes of this regulation the time when payments are received by the intermediary or the worker under the arrangements shall be found in accordance with the rules contained in <sup>[F12]</sup>sections 18 and 19 of ITEPA 2003, subject to the qualification that the worker shall not be treated, by virtue of Rule 2 in section 18, as receiving a payment prior to the time of its actual receipt.]

[<sup>F13</sup>(6) The reference in Step Three of the calculation in paragraph (1) to expenses met by the intermediary includes expenses met by the worker and reimbursed by the intermediary.

(7) Where the intermediary is a partnership and the worker is a member of the partnership, expenses met by the worker for and on behalf of the intermediary shall be treated for the purposes of paragraph (6) as expenses met by the worker and reimbursed by the intermediary.

(8) Where—

- (a) the intermediary provides a vehicle for the worker, and
- (b) the worker would have been entitled to an amount of mileage allowance relief under [<sup>F14</sup> section 231 of ITEPA 2003 ] for a tax year in respect of the use of the vehicle if the worker had been employed by the client, or would have been so entitled if the worker had been employed by the client and the vehicle had not been a company vehicle,

Step Three of the calculation in paragraph (1) shall have effect as if that amount were an amount of expenses deductible under that Step.

(9) Where—

- (a) the intermediary is a partnership,
- (b) the worker is a member of the partnership, and
- (c) the worker provides a vehicle for the purposes of the business of the partnership,

then for the purposes of paragraph (8) the vehicle shall be regarded as provided by the intermediary for the worker.

(10) Where the intermediary makes payments to the worker that are exempt from income tax [<sup>F15</sup> as employment income under ITEPA 2003 ] by virtue of [<sup>F16</sup> section 229 or 233 of ITEPA 2003 ] (mileage allowance payments and passenger payments), paragraph (a) of Step Seven of the calculation in paragraph (1) shall have effect as if the intermediary had made payments to the worker that constituted remuneration derived from the worker's employment by the intermediary. ]

[<sup>F17</sup>(11) In this regulation “the Pensions Act levies” means—

- (a) the administration levy referred to in section 117(1) of the Pensions Act 2004;
- (b) the initial levy referred to in section 174(1) of that Act;
- (c) the risk-based pension protection levy referred to in section 175(1)(a) of that Act;
- (d) the scheme-based pension protection levy referred to in section 175(1)(b) of that Act;
- (e) the fraud compensation levy referred to in section 189(1) of that Act;
- (f) a levy in respect of eligible schemes imposed by regulations made under section 209(7) of that Act (the Ombudsman for the Board of the Pension Protection Fund).]

#### Textual Amendments

- F1** Words in reg. 7(1) inserted (5.12.2014) by [The Social Security Contributions \(Limited Liability Partnership\) Regulations 2014 \(S.I. 2014/3159\)](#), regs. 1(2), **6(2)(a)**
- F2** Words in reg. 7(1) substituted (1.9.2003) by [Social Security Contributions \(Intermediaries\) \(Amendment\) Regulations 2003 \(S.I. 2003/2079\)](#), regs. 1(1), **6(2)(a)** (with reg. 7)
- F3** Words in reg. 7(1) substituted (1.9.2003) by [Social Security Contributions \(Intermediaries\) \(Amendment\) Regulations 2003 \(S.I. 2003/2079\)](#), regs. 1(1), **6(2)(b)(i)** (with reg. 7)
- F4** Words in reg. 7(1) substituted (1.9.2003) by [Social Security Contributions \(Intermediaries\) \(Amendment\) Regulations 2003 \(S.I. 2003/2079\)](#), regs. 1(1), **6(2)(b)(ii)** (with reg. 7)
- F5** Words in reg. 7(1) substituted (1.9.2003) by [Social Security Contributions \(Intermediaries\) \(Amendment\) Regulations 2003 \(S.I. 2003/2079\)](#), regs. 1(1), **6(2)(b)(iii)** (with reg. 7)

- F6** Words in reg. 7(1) substituted (1.9.2003) by Social Security Contributions (Intermediaries) (Amendment) Regulations 2003 (S.I. 2003/2079), regs. 1(1), **6(2)(c)** (with reg. 7)
- F7** Words in reg. 7(1) substituted (6.4.2006) by Social Security Contributions (Intermediaries) (Amendment) Regulations 2005 (S.I. 2005/3131), regs. 1(3), **8(2)**
- F8** Words in reg. 7(1) inserted (5.12.2005) by Social Security Contributions (Intermediaries) (Amendment) Regulations 2005 (S.I. 2005/3131), regs. 1(2), **6(2)**
- F9** Word in reg. 7(1)(a) substituted (6.4.2002) by Social Security Contributions (Intermediaries) (Amendment) Regulations 2002 (S.I. 2002/703), regs. 1(1), **4**
- F10** Words in reg. 7(1) inserted (5.12.2014) by The Social Security Contributions (Limited Liability Partnership) Regulations 2014 (S.I. 2014/3159), regs. 1(2), **6(2)(b)**
- F11** Words in reg. 7(1)(b) substituted (6.4.2004) by The Social Security (Contributions, Categorisation of Earners and Intermediaries) (Amendment) Regulations 2004 (S.I. 2004/770), regs. 1(1), **35(6)**
- F12** Words in reg. 7(5) substituted (1.9.2003) by Social Security Contributions (Intermediaries) (Amendment) Regulations 2003 (S.I. 2003/2079), regs. 1(1), **6(3)** (with reg. 7)
- F13** Reg. 7(6)-(10) inserted (6.4.2002) by virtue of Social Security Contributions (Intermediaries) (Amendment) Regulations 2002 (S.I. 2002/703), regs. 1(1), **5**
- F14** Words in reg. 7(8)(b) substituted (1.9.2003) by Social Security Contributions (Intermediaries) (Amendment) Regulations 2003 (S.I. 2003/2079), regs. 1(1), **6(4)** (with reg. 7)
- F15** Words in reg. 7(10) substituted (1.9.2003) by Social Security Contributions (Intermediaries) (Amendment) Regulations 2003 (S.I. 2003/2079), regs. 1(1), **6(5)(a)** (with reg. 7)
- F16** Words in reg. 7(10) substituted (1.9.2003) by Social Security Contributions (Intermediaries) (Amendment) Regulations 2003 (S.I. 2003/2079), regs. 1(1), **6(5)(b)** (with reg. 7)
- F17** Reg. 7(11) inserted (5.12.2005) by Social Security Contributions (Intermediaries) (Amendment) Regulations 2005 (S.I. 2005/3131), regs. 1(2), **6(3)**

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**Modifications etc. (not altering text)**

- C1** Reg. 7(1) modified (5.12.2005) by Social Security Contributions (Intermediaries) (Amendment) Regulations 2005 (S.I. 2005/3131), regs. 1(2), **7(2)** (with reg. 7(1))

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**Marginal Citations**

- M1** 2004 c. 12
- M2** Regulation 17A was inserted by regulation 5 of S.I. 1983/10.

**Changes to legislation:**

There are currently no known outstanding effects for the The Social Security Contributions (Intermediaries) Regulations 2000, Section 7.