

University Payment System

Frequently Asked Questions

Self Employed

How much work can an individual carry out under the light touch self-employed category?

If an individual is lecturing, teaching or supervising for up to a maximum 5 sessions a term and up to 14 sessions in an academic year across the University of Cambridge, or examining higher degrees (no restrictions on the number of sessions), they can be treated as self-employed. The examples below will help you determine if an individual is self-employed or a worker.

Example 1

Term 1 = 9 sessions
Term 2 = 2 sessions
Term 3 = 2 sessions
Decision – WORKER
(breached 5 sessions a term)

Example 2

Term 1 = 5 sessions
Term 2 = 3 sessions
Term 3 = 3 sessions
Decision – SELF EMPLOYED
(no more than 5 sessions a term)

Example 3

Term 1 = 5 sessions
Term 2 = 5 sessions
Term 3 = 5 sessions
Decision – WORKER
(over 14 sessions in a year)

What is a session?

A session is when the same subject is being taught to the same group of individuals on the same day.

How does an institution know if an individual is working more than this in other institutions in the University?

The individual is asked to complete a UPS1 which includes a declaration that they are not working more than 5 sessions a term and up to 14 sessions an academic year **across the University**.

However, HR will be sent exception reports each month to alert us if an individual exceeded these limits across the University. If the individual can no longer be classified as self-employed they may have to pay tax on work they have previously been paid as self-employed.

Do I need to complete a new UPS1 form for each session?

You will need to complete a UPS1 each time you wish to arrange a payment which may include a number of sessions. The UPS1 form acts as a contract for services as well as being a means to arrange a payment. It is therefore required for each period

of work e.g. a single guest lecturer, a weekend course or a set of examining or supervisions.

What should an institution do if they have been paying an individual on a UPS1 form and want to ask the individual to undertake more than the allowable sessions?

If the individual is to be engaged as a worker you should issue them with a workers agreement and pay them as a worker using the UPS2 form. They may have to pay tax on the work they have previously been paid for as self-employed. Please contact Payroll if this scenario occurs.

Why are individuals carrying out lower degree examining treated as workers and individuals carrying out higher degree examining treated as self-employed?

HMRC rules state that individuals who are carrying out higher degree examining are self-employed and therefore responsible for their own tax affairs but that individuals carrying out examining for lower level degrees are not self-employed and therefore have to be treated as a worker and taxed under PAYE.

How many sessions can an individual examining higher degrees carry out?

They are not subject to any limits to the number of sessions they work as they are deemed by HMRC to be self-employed.

This also applies to individuals carrying out higher level supervisions if they are paid through the Fees and Funding office.

What is the definition of 'lower' and 'higher' degrees?

A lower degree is an undergraduate degree e.g. BA and a higher degree is a post graduate degree e.g. MPhil and PhD.

Is it necessary to carry out Right to Work checks for self-employed individuals?

It is not necessary to carry out Right to Work checks for individuals classified as self-employed however it is necessary to do Right to Work checks for all workers and employees.

I am frequently asked by individuals coming to work for the University what type of visa they need – how should I advise them?

There are a number of ways an individual can enter the UK for work such as paid visitors and examiners. Detailed advice is available on the immigration web site which can be found at: <http://www.admin.cam.ac.uk/offices/hr/immigration/> or the UKBA at <http://www.ukba.homeoffice.gov.uk/>

Workers

How do I pay an individual classified as a worker?

You will need to complete a UPS2 with the details of the work they have carried out, the dates and times, amount of the payment and an account code and also carry out Right to Work checks. The individual will also need to complete their personal and bank details.

Is it necessary to issue workers with a contract?

You should issue all workers with a Workers Agreement for each assignment. The first time you issue an agreement you should also issue the Workers Standard Terms and Conditions and ask the individual to sign it and return both documents which should be retained on file.. You do not need to re-issue these Terms and Conditions for each assignment (provided they are not subject to any amendment).

The Workers Agreement and Terms and Conditions are available from your Institutional Administrator or from HR.

Do individuals have to complete a UPS2 for each new assignment?

There needs to be a completed UPS2 for each assignment to enable a payment to be made. However, if the personal details have not changed then minimum information can be included such as Name and NI number.

Do workers need to submit a P45 or Starter Checklist for each assignment?

Workers will have tax deducted under PAYE therefore in order to be taxed correctly they should submit a completed P45 or Starter Checklist. However, if a P45 or Starter Checklist has been provided in the last 12 months and their circumstances have not changed there is no need to provide another P45 or Starter Checklist. Institutions will need to contact Payroll to arrange for a P45 to be issued.

Will workers be issued with a P45 at the end of each assignment?

Workers should be issued with a P45 at the end of each assignment however it cannot be issued if they are working on an assignment in another institution or institution in the University. Payroll will issue a P45 once all assignments are complete.

Are workers entitled to holiday pay?

Workers are entitled to statutory holiday pay which depends on the number of hours they actually work and should be pro-rated on the basis of a full-time entitlement of 28 days' holiday during each full holiday year (including all public holidays in England and Wales). Holiday entitlement is therefore equivalent to 12.07% of the hours that are actually worked.

At the end of each assignment, institutions should pay holiday pay in lieu of any accrued but untaken holiday in respect of that Assignment using the UPS2.

Are students who are demonstrating entitled to holiday pay?

Yes, they are workers and are entitled to statutory holiday pay.

How do we calculate holiday pay for workers?

Previously, holiday pay has been incorporated into the hourly rate for workers. Basic pay and holiday pay are now being treated separately. These sums can be calculated as set out in the example below:

Example

Mr Smith works 5 hours per week for 10 weeks – a total of 50 hours. As a worker his holiday entitlement is equivalent to 12.07% of the hours actually worked. He was previously paid £76.00 per hour. His new hourly rate will be £67.81 calculated as follows:

$$\frac{\pounds 76.00}{112.07} \times 100 = \pounds 67.81$$

Mr Smith is entitled to 6.035 hours holiday pay (50 hours x 12.07%).

Mr Smith should be paid £406.86 holiday pay (6.035 hours x £67.81 per hour)

Students

Do students have to pay tax?

HMRC have now withdrawn the P38s form. Students should complete a Starter Checklist and send it to Payroll in time for their first UPS claim.

Starter Checklist forms are available at
<http://www.hmrc.gov.uk/forms/starterchecklist.pdf>

Can we distinguish between a bursary and a maintenance payment on the UPS3 – (maintenance payments are calculated on a weekly basis whereas bursaries are not).

Only one-off payments can be paid using the UPS3 form.

If you are currently paying students on a studentship so that payments can be made regularly e.g. on a monthly basis, please continue using that system and do not move to the UPS.

Can I pay a student who is demonstrating as self-employed

Students can never be treated as self-employed and must always be treated as a worker in accordance with the HMRC rules.

Can I pay a non-Cambridge student a maintenance or bursary payment?

You must obtain clearance from Payroll or the University tax office if you wish to pay a non-Cambridge student.

Payments

How are payments made?

Payments are paid by BACS directly into an individual's bank account. It is important for individuals to complete the relevant UPS form to give us their bank account details otherwise it will not be possible to make a payment.

The UPS runs fortnightly.

Dates of payment and the deadline for receipt of UPS forms to reach payroll (either electronically or paper based) are available at:

<http://www.admin.cam.ac.uk/offices/finance/payroll/index.html>

How will individuals be notified of payments made to them?

Individuals paid through the UPS will be sent a Remittance Advice by email. It is important for individuals to complete the relevant UPS form to give us their email address.

What should an individual do if they do not have an NI number?

Individuals paid via a workers agreement need to apply for an NI Number. Details of how to do this can be found on the Payroll website -

<http://www.admin.cam.ac.uk/offices/finance/payroll/nationalinsurance.html>

How do I pay someone outside of the UK?

Please use the UPS IPO form if you need to make an international payment. This can be found on the CHRIS Forms Bank with the other UPS forms. Departments should process the sterling amount through UPS and mark up the required currency on the IPO form.

How do I classify and pay an individual who is carrying out work outside of the UK?

If you require an individual to carry out work for the University outside of the UK you should ensure they meet the conditions in chapter 5a of the financial procedures to determine if they are genuinely self-employed.