

# The HMRC umbrella legislation: what recruitment agencies need to know right now

A plain English guide for recruitment agencies

## 1 WHAT HAS CHANGED?

New legislation came into force on 26 April 2026. It gives HMRC the right to pursue unpaid tax up the chain. If your umbrella company fails to pay its tax obligations, HMRC can come to you. If you cannot pay, it goes to your end client. The liability does not disappear. It travels until someone settles it.

Directors who close a company and restart a new one are caught too. The liability follows the individual, not just the business.

## 2 IS YOUR BUSINESS ACTUALLY AT RISK?

It depends on how your business operates. There are three distinct situations and they are not the same.

- **PAYE workers through a third-party umbrella:** you have genuine exposure and need to act.
- **Contractors operating as limited companies:** no PAYE liability, no drag-along risk under this legislation.
- **Construction businesses under CIS:** a different tax regime entirely. This legislation does not apply to you.

## 3 WHY IS YOUR LENDER PULLING BACK?

Most lenders are applying blanket restrictions across all recruitment businesses without distinguishing between those that are genuinely exposed and those that are not. Several major providers have already restricted or withdrawn facilities, and in some cases the people making those decisions do not fully understand how recruitment payroll works.

If your facility is under review, it may have nothing to do with your actual risk position.

### Want to find out more?

Able Commercial Finance works with a wide panel of trusted lenders to find the right solution for your business, not the one that simply suits the lender.



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## 4 WHAT DOES YOUR UMBRELLA COMPANY NEED TO PROVIDE?

Under the new rules, umbrella companies are required to hold tax in escrow, submit monthly compliance reports, and meet minimum standards for accreditation through the FCSA (Freelancer and Contractor Services Association).

### ASK YOUR UMBRELLA COMPANY DIRECTLY

Are you FCSA accredited? Do you hold tax in escrow? Can you provide written confirmation of your compliance status? If they cannot answer those questions clearly, that is a problem worth solving now.

## 5 WHAT ARE YOUR OPTIONS IF YOUR FUNDING IS BEING RESTRICTED?

There are several routes worth exploring, depending on your business model and the nature of your payroll. Moving to an FCSA-accredited umbrella is the most straightforward step for businesses with genuine PAYE exposure. Some businesses are bringing payroll in-house to remove the risk entirely.

For businesses whose funding has already been restricted, specialist lenders exist who understand the recruitment sector and will underwrite on the basis of your actual risk. Selective invoice finance and supply chain finance are also worth considering depending on your structure.

## 6 WHERE DO YOU START?

It starts with a conversation. We've already been in the room with the lenders who are withdrawing facilities from recruitment businesses they don't fully understand. We know how to make the case for yours.

Call us before they make a decision that affects your funding.

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