



Sapphire

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A professional office setting with a woman in a white blazer smiling and talking to another person whose back is to the camera. The background shows a window with a view of a city.

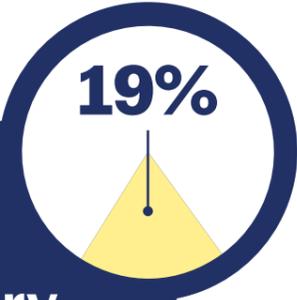
# The Ultimate Guide to Umbrella Legislation Changes

# Why 2026 will redefine compliance for recruiters

From April 2026, changes to umbrella legislation will affect every recruitment agency and MSP that engages contractors. The legislation shifts greater responsibility up the supply chain, meaning supplier governance becomes a strategic priority for agency and MSP leadership, not an administrative task.

Those that act early will maintain compliant contractor supply and demonstrate the due diligence clients will come to expect. This guide gives practical steps you can use today to review your Preferred Supplier List (PSLs), test partners and switch with minimal disruption.

19%



**Only 19% of recruiters describe themselves as very informed about the incoming umbrella changes.**

Sapphire Contractor Census 2025

# What is changing and why it matters

## What the April 2026 legislation brings

- The company (usually an agency or MSP) closest to, and holding the contract with the end clients (or, if none, end clients) can be held jointly and severally liable (JSL) for unpaid PAYE and National Insurance Contributions where an umbrella sits in the supply chain.
- The JSL rules increase supply-chain risk, making documented due diligence and audit trails important to mitigate potential recovery of tax by HMRC.
- These measures sit alongside other legislative developments, including aspects of the Employment Rights Bill that expand worker protections coming into force in April 2027.

## Why recruiters should act now

- **Financial exposure:** HMRC can recover unpaid liabilities from another party in the supply chain on a 'joint and several basis'.
- **Reputation risk:** contractor pay problems quickly erode trust with clients and candidates.
- **Operational impact:** expect more rigorous checks, reporting and audit trails for supplier management.





# The hidden risks of non-compliance

## Immediate and downstream risks

- **Direct financial claims.** If an umbrella fails to operate PAYE correctly, HMRC may pursue unpaid amounts from agencies, MSPs or end clients.
- **Contractor disruption.** Complex payslip arrangements, missing pension contributions and unclear deductions lead to disputes and churn.
- **Client escalation.** End clients may start to increase requests for evidence of supplier due diligence and may penalise agencies with weak controls.
- **Operational distraction.** Remediation, audits and payroll corrections divert resources away from growth activity.

## Common red flags to watch for



- Payslips that lack itemised breakdowns of PAYE and National Insurance or are sent in multiple parts.
- Suppliers without independent accreditation and recent audit evidence.
- Frequent amended tax filings from a provider without clear explanation.
- Complex cross-border arrangements with unclear withholding and residency processes.

## How Sapphire can help

Sapphire builds audit-ready processes into our payroll and partner services. That includes recognised accreditation, transparent payslips, real-time payroll visibility and clear escalation paths to resolve contractor issues quickly.

# What a compliant umbrella partner looks like

## Minimum criteria for your PSL

- ✓ FCSA accreditation plus SafeRec certification, or an equivalent real-time auditing solution, to evidence ongoing compliance
- ✓ Transparent, itemised payslips that clearly show PAYE and National Insurance treatment.
- ✓ Real-time payroll systems that give secure, read-only access to payroll runs and payslips.
- ✓ Clear commercial and tax models, with documented processes for statutory payments and pension contributions.
- ✓ Dedicated compliance and account management teams with a single point of escalation.
- ✓ Contractual right to audit and an evidence pack that includes payroll run reports, reconciliations and historic payslips.

### Sapphire is built on a foundation of compliance.

With seven consecutive years of FCSA accreditation, SafeRec real-time auditing and APSCo Trusted Partner status, our processes and platforms minimise risk and give agencies complete peace of mind as legislation tightens.

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**Two-thirds of recruiters require FCSA membership when choosing umbrella partners.**

Sapphire Contractor Census 2025

## Real-time payroll auditing with SafeRec

SafeRec independently audits every Sapphire payroll run, verifying PAYE and National Insurance calculations, matching payslips to RTI submissions and confirming PAYE payments to HMRC accurately and on time every month.

This provides agencies with instant assurance - and a digital audit trail that aligns perfectly with HMRC's new transparency expectations.



# How to assess your current PSL

## Six short checks you can run this week

- ✓ **1. Request accreditation and audit evidence**  
Ask for current FCSA and/or SafeRec certificates and the latest independent audit reports. Confirm the scope and dates of audits.
- ✓ **2. Review payslips and payroll runs**  
Request a sample of payslips and RTI reports. Check for consistent, itemised evidence of PAYE, National Insurance and any deductions.
- ✓ **3. Check financial stability**  
A financially unstable umbrella can be just as risky as a non-compliant one. Obtain the latest Companies House filings for each umbrella partner. Review balance sheet strength, working capital, and payment history.
- ✓ **4. Review umbrella service levels**  
Compliance is essential, but poor service creates real operational risk. Ask for SLA documents and performance metrics and run short surveys of your consultants and contractors. Check Trustpilot, Google Reviews and sector forums for contractor feedback. Look for recurring issues that could cause headaches even where compliance is strong.
- ✓ **5. Confirm system access and independent reporting**  
Verify whether you can access agency-level dashboards, audit trails and independent reporting on every payroll run and reconciliation, via partners like SafeRec.
- ✓ **6. Check contractual protections**  
Review supplier contracts for right-to-audit clauses, insurance cover and explicit remediation commitments. Involve legal counsel where necessary.

### Recruiter's Compliance Checklist (2026 Edition)

A one-page tool to run each test, score suppliers and produce a PSL risk heatmap. [Download here](#)

# How to switch safely

## Step-by-step transition plan

- 1 Map the timeline**  
Identify all areas to be considered during the transition process and create a plan on when each stage will happen.
- 2 Communicate early and clearly**  
Inform contractors about the change, why it is happening and who to contact for support.
- 3 Upskill your recruitment consultants**  
Ensure those that will be communicating directly with the contractors to initiate their transition are well informed on the legislation changes and trained to handle any questions that may arise.
- 4 Communicate timescales to your PSL**  
Ensure they understand your deadlines and are able to provide fast and efficient support.
- 5 Confirm contractual handover**  
Where applicable, ensure assignment schedules/contracts define the effective date for any transfer of responsibilities and liabilities, and outline remediation responsibilities.
- 6 Conduct a post-live assurance review**  
Run a 30-day post-live audit and maintain a dedicated support channel for contractor queries during the onboarding window.

### Minimise disruption, maximise peace of mind

With an audit-ready partner and a tested onboarding and transition playbook, switching partners can be straightforward. Sapphire's onboarding approach reduces transition time and provides reconciliations at every stage.

# Why recruiters choose Sapphire

- ✓ One of the few providers to have both **FCSA and SafeRec certification**
- ✓ Transparent reporting, with **monthly HMRC dashboard updates** for PAYE payments
- ✓ **Top five market share** for Umbrella/CIS in the UK
- ✓ **Financial stability** from organic growth, with up to date financials and management information on request
- ✓ Thousands of **positive reviews on Trustpilot and Google** from your contractors
- ✓ Blending the very best of people, expertise and technology to provide **best in class services**

## Illustrative risk:

An agency uses an umbrella company to pay **25 contractors** an average of **£300 per day for 10 weeks**. If the PAYE and NICs are unpaid, HMRC could recover around **£150,000** from the agency - even though it had already paid the umbrella.



*Sapphire is a trusted, compliance-first partner. Alex is always on hand, respectful of our preferred ways of working and quick to resolve queries and payment issues. As umbrella legislation changes, their audit-ready approach and clear, timely communication give us and our contractors real confidence.*

**Sophie Anderson, Venn Group**



## 30-90 day action plan

### Next 30 days

- Download and run the Recruiter's Compliance Checklist on your top umbrella partners.
- Request accreditation and audit evidence from all PSL suppliers.
- Book a cross-functional compliance review with finance and legal.

### Next 60 days

- Score suppliers, identify high-risk relationships and develop remediation plans.
- Start contractual updates to include right-to-audit and remediation clauses.

### Next 90 days

- Review suppliers from a service point of view
- Send over surveys to consultants and contractors

A close-up, side-profile photograph of a man with short dark hair, wearing black-rimmed sunglasses and a white dress shirt. He is holding a black smartphone to his ear with his right hand, appearing to be in a conversation. The background is a bright, out-of-focus light source, possibly the sun, creating a warm, golden glow.

## Speak to Sapphire

Our friendly expert  
team are here to help

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