

# Business Payroll Rebate

The Business Payroll Rebate (BPR) solution is an innovative, HMRC-compliant financial strategy that leverages existing tax credits to reduce employment costs. Below is an overview of how it works, explained in clear and practical terms.

## What is the BPR Solution?

The BPR solution is a mechanism used within the insolvency and payroll sectors to unlock value from companies in liquidation that hold tax credits on their Corporation Tax (CT) accounts typically arising from successful R&D tax credit claims.

For example, if a company spends £400,000 on R&D, it may receive a £100,000 credit on its CT account (25% of the spend). In standard liquidation, HMRC will only release 14.5% of this credit as a cash repayment to the insolvency practitioner.

However, a supplier offering the BPR solution will step in to purchase the insolvent company, offering a better return e.g., 17% to the administrator. This allows the supplier to acquire the company, along with its existing CT credit, at a fair value.

## How the BPR Solution works?

### Company Acquisition & Dormancy

The supplier acquires the liquidated company and holds it dormant until a suitable client is identified.

### Rebranding & Labour Supply

Once a match is found, the dormant company is rebranded to reflect the client's identity and continuity for the workforce. This rebranded entity becomes the official employer of the labour force and invoices the client company for gross wages, PAYE, and National Insurance contributions.

### Tax Credit Utilisation

HMRC permits the offsetting of tax liabilities. The supplier and client request the transfer of the CT credit to the PAYE account. For example, if £50,000 is due to HMRC, the supplier pays £45,000 in cash and offsets £5,000 from the CT credit.

### Rebate & Cost Savings

The credit is used at a rate equivalent to the employer's NIC.

This saving achieved is split between the client and the supplier:

- o retained by the supplier (to recoup acquisition costs and to fund further NIC liability rebates)
- o returned to the client company as a rebate, effectively a 30% reduction to employer's NIC cost

### Legal and Compliance Framework

Legitimate Labour Outsourcing: Outsourcing payroll and employment through a third-party entity is a common, legal practice in the UK. Provided proper TUPE transfer rules are followed (for employees with more than two years' service), and standard employment contracts are in place, HMRC fully recognises this structure as compliant.

### Tax Credit Offsetting

HMRC allows the offsetting of one tax duty against another. This principle was established in the 1990's after the merger of Inland Revenue and Customs & Excise. For instance, if a company is due a VAT refund but has a PAYE liability, HMRC can legally offset one against the other. This same principle underpins the BPR solution.

### Regulatory Assurance

The practice has been recently confirmed as standard in HMRC's own community forums. As long as the business relationship is

commercial in nature and all taxes are paid in full, HMRC has no objection to the offsetting of tax credits in this way.

### Summary of Benefits

- o Significant savings on Employer NIC contributions (up to 30%)
- o Fully HMRC-compliant and legally established practice
- o Employees retain job continuity under a rebranded entity
- o Efficient use of dormant tax credits that would otherwise be lost
- o No risk of tax avoidance or evasion HMRC receives all due payments
- o A standard complimentary online benefits platform for the employees is also provided

If you're interested in exploring how the BPR solution could apply to your business, we'd be happy to arrange a more tailored consultation.