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What time period should earnings cover?

The applicant can request that their earnings be considered for any consecutive period of up to twelve months within the fifteen months immediately prior to their application being received by WP (UK). Applicants do not need to claim for a full twelve-month period. If they only have earnings for a period of less than twelve months then this should still be considered. However, earnings for a period of less than twelve months should not be pro-rated up to a twelve-month equivalent. Earnings must be for one consecutive period, and the applicant should indicate on the application form the start and end date of the earnings period being claimed. For example, the applicant can request that we consider the first six months of the fifteen months immediately prior to their application being received. However, we cannot consider the first six months, exclude the middle three months, and include the final six months within the fifteen month period. If the applicant claims for a period outside/exceeding the twelve months out of a fifteen-month period prior to the

application date, then the twelve months directly prior to the application date should be assessed.

If the applicant has been studying during this period please see the paragraph below concerning time out of employment for study.

Non- standard working patterns

Part-time workers

We will consider an applicant's total part time-earnings over a period of up to twelve months in the fifteen months immediately prior to the application, and can consider the total earnings from one or several jobs over this period. However, the various part-time jobs must have been undertaken during the same period being claimed up to a maximum of twelve months. The applicant must provide sufficient evidence to establish their earnings for each post individually – that is at least two pieces of evidence from the specified list given in Annex B for each job over the relevant period.

Working in several countries in the period being claimed up to a maximum of twelve months

If the applicant has lived and worked in more than one country during the past fifteen months, the caseworker will normally assess the total income over the total period being claimed up to a maximum of twelve months, against the country where the applicant has spent the longest period, on a pro-rata basis. To pro rata the income a caseworker would use the following calculation:

$$\frac{\text{Total earned income (from the country where the most time was spent) amount}}{\text{twelve}} \times \text{Number of months worked there}$$

For example WP(UK) will consider a period of up to twelve months in the last fifteen. If the applicant has supplied evidence that they have spent eight of the months for which earnings are claimed in the United Kingdom and then four months in Nigeria, the caseworker should take the earned income in the United Kingdom, divide it by eight and multiply by twelve to give an annual income figure. The applicant is then allocated points appropriate to that figure. The applicant should provide supporting evidence to cover the full period claimed if they wish to claim earnings on a pro rata basis

If the situation should arise where the applicant has worked for exactly six months in each country consecutively, to total twelve months, then the earnings should still be calculated on a pro rata basis for both amounts. The income that benefits the applicant most should be the figure that is considered.

The applicant may also have worked in more than one country for a period of less than twelve months. For instance, if the applicant has worked for only nine months over the earnings period claimed and they have supplied evidence that they have spent six of the months in The United Kingdom and three months in Nigeria, the caseworker would use the following calculation:

$$\frac{\text{Total earned income (from the country where the most time was spent) amount}}{\text{Number of months worked there}} \times \text{nine}$$

This is the only occasion where we can pro-rata an applicant's earnings.

Past earnings for applicants who have taken time out to study

If the applicant has been unable to earn an income for the last twelve months, we will consider their earnings for a period of up to twelve consecutive months from the fifteen months immediately prior to them becoming a full-time student. We will do this for both:

- Current full-time students; or
- Recent students who have finished a full-time course within the previous twelve months.

In order for an applicant to qualify for consideration they should supply:

- evidence of earnings for the period of up to a maximum of twelve months out of the fifteen months immediately prior to the beginning of the study; and
- evidence of the period of study; and
- evidence of the attendance requirements (hours of study per week).

Caseworkers do not need to check that the period of full-time study was with an accredited institution.

Where the hours are defined by the institution as 'full-time', then this is acceptable as evidence of this requirement. Where the actual number of hours is defined then applicants must have spent at least fifteen hours per week in organised daytime study in order to qualify for consideration.

If any of this information is not contained in the evidence submitted, then the evidence should not be accepted.

Those seconded overseas from their normal country of work.

Applicants who have been seconded overseas during the last fifteen months and whose salary continues to be paid in the normal manner by their employer should be assessed against the country where they have been working during their secondment. In order for us to establish which country code to consider their earnings against, the applicant should provide evidence of where they have been working and where their salary has been paid for the period they wish us to consider, up to a maximum of twelve months.

If an applicant is working in a country but having their income paid into a bank account in another country, their income will be considered against the country code where they are working.

Calculating points

All applicants must state the period they are claiming for and their total earnings for that period on the application form. The evidence they submit in support must cover this period.

Any evidence submitted for dates outside of the period claimed will not be taken into account for the purposes of awarding the applicant points in this area.

In order to reflect differences in income levels across the world, the total salary earned over the applicant's chosen period of up to twelve months varies, depending on where the applicant earned the salary. Please see Annex A, which contains the Country Earning Band tables which have been developed to reflect the variation in

income levels across the world and give a relative comparison of earnings in different countries.

The country where the applicant earned the money determines the income band.

There are five income bands that have been set by HM Treasury.

Income that cannot be considered

Not all income will be considered for the purposes of awarding points in this section. Unearned income from sources such as those listed below, **will not be considered**, as it has not been earned through employment.

- Dividends from investments (unless the applicant is working for the company on a full time basis, or the payment is directly related to their employment)
- Property rental income
- Interest on savings
- Funds received through an inheritance

If part of the applicant's income is paid as dividends the applicant should provide evidence that this has been declared as earnings for tax purposes. This should be in the form of either personal tax returns or the corporate tax voucher from the company. Dividend vouchers will only be considered if they form part of the applicant's earned income and not dividends from investments.

Currency conversion

The applicant's earnings must be converted into pounds sterling (£) in order to calculate how many points to award.

The first step is to work out how much the applicant has earned over the chosen period of up to twelve months in the fifteen months prior to Work Permits (UK) receiving the application, from the evidence provided. If earnings are paid overseas in a foreign currency, the total figure for the chosen period must be converted into pounds sterling (£) to establish the amount of points to be awarded.

Useful currency conversion websites are:

www.oanda.com

<http://www.geres.ge/currency/currcalc.html?lang=en>

www.xe.com

Conversion websites allow you to select the exact period for the date conversion.

When making the conversion the exchange rate should be used on the date of the last payslip submitted. However, if the applicant has been a student and is supplying evidence from before they started studying then the conversion rate should be used on the date of the last earnings.

If an applicant requests that we use a retrospective date for making the conversion due to economic problems in that particular country, then you should get authorisation from a manager before doing so.

Once the earnings have been converted to pounds sterling (£) you should then:

- (i) Determine which country code to use
- (ii) Determine which earning band to use

Which country code to use:

Earnings are considered against the country where the applicant has been working during the chosen period of up to twelve months from the fifteen months prior to the application being made. It is **not** based on the applicant's nationality.

What if an applicant has not earned the amount claimed?

If an applicant has claimed points for an amount of earnings, but the evidence they have submitted shows that their total earnings are less than claimed, we will award the points that the actual earnings qualify for.

For example, where an applicant has claimed three0 points for UK earnings and stated that they have earned £three0,500 during the period claimed, but from the evidence submitted we calculate their total income to be £19,700, we will award them 10 points in line with the relevant scoring band (band A).

Evidence for previous earnings

The applicant must submit specified original evidence (outlined in Annex B of this section of the instructions) to demonstrate their earnings for the selected period up to twelve months. The evidence supplied should clearly confirm the applicant's gross earnings over the period being claimed.

Salaried Employment

In order to claim points for salaried employment (including part-time; temporary; short-term or consultancy work), then we need to see **two** pieces of evidence to support the claim. The two pieces of evidence provided must be consistent with, and corroborate, each other.

We request more than one piece of evidence in these scoring areas because it is important that we are able to clearly establish the salary. We specify two forms of required evidence, and offer two alternatives for applicants to provide for salaried employment.

Please note – the list of specified evidence outlined in Annex B are the only acceptable forms/combinations of evidence.

Required evidence

In order to demonstrate the total annual salary before tax the applicant should provide both:

- Their income tax return covering their chosen period of up to twelve months in the fifteen months either prior to Work Permits (UK) receiving their application or prior to them commencing full-time study. If the tax year does not cover the full period claimed, or the applicant has not yet received any tax return, then other corroborating evidence is required for the period(s) not covered. NB – In many cases a personal tax return covering the entire period will not be available. Alternative documents from the list in Annex B will be accepted. Self-assessment tax documents should not be accepted, as they are not independent; AND
- Wage slips covering the entire period being claimed up to a maximum of twelve months. Caseworkers should discard any allowances paid that are not declared on the wage slip.

Where the tax return is not yet available, or does not cover the full period claimed

When the applicant's tax return is not available or does not cover the full period claimed, caseworkers can consider other evidence which corroborates the remaining period in the form of:

- Bank statements showing that the applicant received the salary described for the period being claimed, up to a maximum of twelve months; and/or

- A letter from the applicant's (previous) employer/s confirming that they received the salary for which they are claiming.

Considering tax returns

In the external HSMP1 and FLR(HSMP) guidance notes, application forms and in these instructions, the term 'tax return' may denote any of the following:

- a document generated by a tax authority, which shows details of declarable taxable income on which tax has been paid or is to be paid in a tax year (eg tax refund letter or demand);
- a document generated by an employer for the purposes of an official return to a tax authority, showing details of earnings on which tax has been paid in a tax year (eg P60 in the UK);
- a document generated by an individual/business/company for the purposes of an official return to a tax authority, showing details of earnings on which tax has been paid/to be paid in a tax year that has been 'approved/registered/stamped' by the tax authority (this is particularly relevant to some overseas tax systems eg SARAL in India).

Self-certified tax documents, which are completed by the individual (eg Form 16 in India or the SA100 form in the UK) are not acceptable.

We ask for tax documents, for example a P60 if from the UK, as they are official documents that clearly state the amount of earnings an applicant has earned in the last tax period from their wages/salary.

Many tax documents clearly itemise earnings that have been earned by salary/wages and that have been earned from property rental/investments.

We also accept this kind of evidence because it officially confirms the applicant's earnings, when other pieces of evidence may contradict each other.

Please see below for details of how to consider applications from individuals working in a country with no tax system.

Considering wage slips

Wage slips should either be formal pay slips or on company letter headed paper. If they are on plain A4 paper then they should be clearly stamped and signed by the employer. Any wage slips on plain paper, which have not been endorsed and stamped by the employer, should not be accepted.

Applicants who can only provide on-line payslips will be required to obtain their employers' signature and stamp on the printouts of the payslips, to authenticate the evidence.

If any of these details are not contained in the payslips, then the evidence should not be accepted in support of points claimed.

Caseworkers should check that:

- The wage slips relate to the applicant; and
- They cover the correct period; and
- They are in an acceptable format. (i.e. are they on formal wage slips/been endorsed by the employer)

The caseworker should either add up the gross earnings from each payslip to establish the total income, or use the 'Gross earnings to date' figure. The caseworker should use the most accurate method for the individual case. For instance, if the 'Year to date' figure is on the first wage slip of the period, it is not relevant to the period in question.

Considering bank statements

If bank statements are used as evidence, they must clearly show that the net salary payment was received.

Considering the letter from the employer

The letter provided should be on company letter headed paper and should clearly state the applicant's earnings during the chosen period of up to twelve months. An annual salary figure is acceptable if the letter states that the applicant has been in the post for a full twelve-month period.

Exceptional consideration

If there are exceptional and compelling reasons as to why the applicant is not able to provide either an income tax return and/or wage slips to cover their chosen period of up to twelve months then they may request exceptional consideration of their case. Please see the section of these instructions on 'considering an application and evidence required to support and score an application' for further information on exceptional consideration.

Alternative evidence required

In exceptional circumstances, caseworkers can consider alternative evidence in the form of:

- Bank statements showing that the applicant received the salary described for the period being claimed, up to a maximum of twelve months; and/or
- A letter from the applicant's (previous) employer/s confirming that they received the salary for which they are claiming.

Please refer to Annex B, which lists examples of when alternative evidence can be accepted.

Independent contractors

Applications from independent contractors are considered in the same way as those in salaried employment. The individual might not be running their own company, but will be paid for consultancy services, as and when they are provided.

H.M. Revenue and Customs (HMRC) consider independent contractors (people who are not working for a single employer, but contract out their services as individuals to a single or a number of different employers, on a full-time, part-time, temporary, short term or consultancy basis) to be salaried employees for National Insurance Contributions (NIC) purposes. The employment status is determined by the terms and conditions under which they are engaged and work under their specific contract. Information on employment status for NIC can be found on the HM Revenue and Customs website, at www.hmrc.gov.uk under the section on Intermediaries Legislation IR35, found on the A-Z list via the site map on the HMRC website. Independent contractors will not operate as a business or as a limited company (or else they will fall into the self-employed category). However, the independent contractors may consider themselves to be self-employed because they do not have continuity of employment with a single employer. As these people may only be able to provide some evidence from the required evidence list for employed people, and some from the self-employed business-based list, they may be unsure of what category they fit into. The new Highly Skilled Migrant Programme has created a specific category for them.

Required evidence

Applicants should provide ALL of the following:

- Income tax return. If the tax year does not cover the full period claimed, or the applicant has no tax return at all, the other corroborating evidence listed below should be used to make the assessment. Self assessment tax documents are not acceptable, as they are not independent; and
- Contracts from the employer to cover the period claimed and to total the amount of earnings claimed. They should give details of the employment, period of contract and the applicant's salary; and
- Invoices from the employers showing the actual amounts paid to the applicant;
- Bank statements showing incoming payments made by the employer to the applicant.

If the required documents above do not provide two forms of corroborating evidence, the applicants should provide at least one of the documents listed below;

- An accountant's letter on their letterhead confirming the gross and net pay for the period claimed.
- Invoice explanations/payment summaries.

The applicant may use a managing agent to deal with their financial affairs. If this is the case, a letter will need to explain the relationship between the applicant and the managing agent.

Where the tax return does not cover the whole period claimed or no tax return is provided, but all other evidence provided

Where all other evidence required is provided with applications from independent contractors or self-employed applicants, accept the evidence and assess against the criteria.

What if the applicant has not paid tax?

There are some countries that do not have a tax system, such as Saudi Arabia. If the applicant has been exempt from paying tax in a country they have been working in, and therefore has no tax documentation, then they will need to provide two of the following forms of evidence of their earnings:

- Wage slips covering the period claimed;
- Bank statements as evidence of income;
- A letter from their employer(s) stating their salary as claimed.

Self-employed applicants

Past earnings for self-employed applicants may have been paid in a number of ways. The applicant may pay themselves a salary out of the company funds or they may take the company profits as their earnings. The pay advice to the applicant may show payments to the applicant out of company profits in the form of dividends. The caseworkers should consider the gross dividend paid to the applicant. Where a breakdown of the dividend payments is given on the pay advice, the gross dividend is the net dividend payment plus the tax credit stated.

If the applicant is not paid a set salary, the caseworker must establish how much of the net profit of the company has been paid to the applicant. The assessment must work on the net profit, as this is the figure that is available as potential earnings (after all the company expenditure has been deducted).

The caseworker must also establish whether the applicant is the sole owner or is a partner. If the applicant is the sole owner, the assessment of their earnings may be made on the whole amount of the business's net profit. However, if the applicant is

one of a group of partners the applicant should provide evidence of what share of the profits he/she is entitled to as earnings.

Required evidence

Self-employed applicants must supply both of the following pieces of evidence:

- Personal tax returns - If the tax year does not cover the full period claimed, or the applicant has no tax return at all, the other corroborating evidence listed below should be used to make the assessment. Self-assessment tax documents are not accepted as they are not independent; and
- Personal bank statements.

In addition to the documents above, applicants must supply one of the following combinations of documents to cover the full period:

- Company audited accounts and company tax return (one of these documents should confirm the full amount claimed); OR
- Unaudited business/management accounts confirming the full amount claimed; PLUS EITHER
- Business bank statements and a business tax return; OR
- Copies of contracts totalling the full amount payable and corroborating invoices, showing that the applicant has been paid the full amount claimed.
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Some applicants (particularly those operating as or through Limited Liability companies – please see Annex C) have experienced difficulty in providing evidence to corroborate previous earnings under this category. If the supporting evidence does not contain two forms of corroborating evidence which clearly demonstrate the applicant's gross earnings for the period claimed, then they should provide additional documents to corroborate their earnings as claimed. It is not a requirement that the applicant provides all of the additional documents listed below, as one additional document may provide suitable corroborating evidence. Acceptable additional evidence is contained in the following list;

- An accountant's letter confirming the gross and net salary for the pay period claimed
- Invoice explanations/payment summaries. These should detail income, dividend payments and where appropriate tax deductions. Caseworkers should assess the applicant's previous earnings using the gross dividend paid to the applicant. Caseworkers should also include Tax credits on dividends when assessing previous earnings as these form part of the recipient's gross income for tax purposes. If a net dividend is quoted, the gross dividend that the caseworker should use, will be the net payment plus the tax credit
- Company bank statements - the FAQ section on the www.workingintheuk.gov.uk website has prompted the applicant to supply both personal and business bank statements. Please refer to Annex C, Umbrella Companies, for circumstances where a number of shareholders run the company
- Where the applicant is one of a number of shareholders managing the company, a covering letter from the applicant's accountant should confirm the applicant's role and shareholding within the company. The letter will also need to explain the relationship between the applicant and the managing

agent/accountant, if applicable. Updates to the FAQ section on the website prompt the applicant to provide this additional piece of supporting evidence.

Considering the business/company tax return

The business/company tax return can be used if it shows the applicant's own earnings. For the document to be acceptable it should have been authorised by the tax authority to confirm that the information on the form is valid.

The usefulness of this information will depend on what proportion of the chosen period claimed is covered by the tax return. If it only covers a very small part of the period being claimed the caseworker will need to ensure that the other documents supplied in respect of the self-employed earnings claimed, cover the remaining period.

Considering company accounts

The most appropriate form of evidence to indicate whether the applicant is the sole owner and receives the company's net profit are the company accounts. The applicant should provide a copy of the company's most up-to-date accounts (to cover the chosen period being claimed up to a maximum of twelve months). This should indicate the net profit and whether the applicant is the sole owner or a joint partner. If the annual turnover of the company dictates audited accounts are not appropriate then unaudited business/management accounts confirming the total amount claimed should be provided along with either: business bank statements together with a business tax return; or copies of contracts totalling the full amount payable to the individual together with corroborating invoices detailing payments. Typically, the majority of applicants that apply under the self employed category and are working within the UK will be managing small companies. The annual turnover for such companies will often not be high enough to merit the production of audited accounts, although un-audited accounts would still need to be produced at the end of each financial trading period. Un-audited accounts should be prepared in accordance with statutory requirements. In practice, for small companies within the UK, the balance sheet should be signed by the Company Director. Additional statements should appear above the Director's signature confirming that the accounts have been prepared in accordance with the Companies Act 1985.

Considering bank statements

Bank statements must clearly show what payment has been made to the applicant as earnings. This could be from the applicant's company to the applicant.

Annex A – Country Earning Band Tables

Band A countries
Andorra; Aruba; Australia; Austria; B elgium; Bermuda; Canada; Cayman Islands; Channel Islands; D enmark; F inland; France; French Polynesia; G ermany; Gibraltar; Guam; H ong Kong (Province of China); I celand; Ireland; Italy; J apan; K uwait; L iechtenstein; Luxembourg; M onaco; N etherlands; Norway; Q atar; S an Marino; Singapore; Sweden; Switzerland; United Arab Emirates; United Kingdom; United States of America; V atican.
Previous earnings (£) points scores

5 pts	10 pts	15pts	20 pts	25 pts
16,000+	18,000+	20,000+	23,000+	26,000+
30 pts	35 pts	40 pts	45 pts	
29,000+	32,000+	35,000+	40,000+	

Band B countries

American Samoa; Antigua and Barbuda; Argentina; **Bahamas**; Bahrain; Barbados; Botswana; Brunei Darussalam; **Chile**; Costa Rica; Croatia; Cyprus; Czech Republic; **Estonia**; **Faroe Islands**; **Greece**; Greenland; Grenada; **Hungary**; **Israel**; **Korea (South)**; **Latvia**; Lebanon; Libya; **Macao**, (Province of China); Malaysia; Malta; Mauritius; Mexico; **Netherlands Antilles**; New Caledonia; New Zealand; Northern Mariana Islands; **Oman**; **Palau**; Panama; Poland; Portugal; Puerto Rico; **Saudi Arabia**; Seychelles; Slovak Republic; Slovenia; Spain; St Kitts and Nevis; St Lucia; Taiwan (Province of China); **Trinidad and Tobago**; Uruguay; Venezuela; Virgin Islands.

Previous earnings (£) points scores

5 pts	10 pts	15 pts	20 pts	25 pts
7,000+	8,000+	9,000+	10,000+	11,500+
30 pts	35 pts	40 pts	45 pts	
12,500+	14,000+	15,500	17,500+	

Band C countries

Albania; Algeria; **Belarus**; Belize; Bolivia; Bosnia & Herzegovina; Brazil; Bulgaria; Cape Verde; China (Peoples Republic of); Colombia; **Dominica**; Dominican Republic; **Ecuador**; Egypt; El Salvador; **Fiji**; **Gabon**; Guatemala; **Honduras**; **Iran**; **Jamaica**; Jordan; **Kazakhstan**; **Lithuania**; **Macedonia**; Maldives; Marshall Islands; Micronesia; Morocco; **Namibia**; Nauru; **Paraguay**; Peru; Philippines; **Romania**; Russian Federation; **Samoa**; South Africa; St Vincent & The Grenadines; Suriname; Swaziland; Syrian Arab Republic; Thailand; Tonga; Tunisia; Turkey; Turkmenistan; Vanuatu; **West Bank and Gaza**.

Previous earnings (£) points scores

5 pts	10 pts	15 pts	20 pts	25 pts
5,000+	5,600+	6,300+	7,200+	8,100+
30 pts	35 pts	40 pts	45 pts	
9,100+	10,000+	11,000+	12,500+	

Band D countries

Angola; Armenia; Azerbaijan; **B**angladesh; Benin; Bhutan; Cameroon; Comoros; Congo (Republic of); Cote d'Ivoire; Cuba; **D**jibouti; Equatorial Guinea; **G**ambia; Georgia; Guinea; Guyana; **H**aiti; **I**ndia; Indonesia; Iraq; **K**enya; Kiribati; **L**esotho; **M**auritania; Moldova; Mongolia; Montenegro; Myanmar; Nicaragua; **P**akistan; Papua New Guinea; **S**enegal; Serbia; Solomon Islands; Sri Lanka; Sudan; **T**imor L'Este (East Timor); **U**kraine; Uzbekistan; Vietnam; **Y**emen; **Z**ambia; Zimbabwe.

Previous earnings (£) points scores

5 pts	10 pts	15 pts	20 pts	25 pts
3,000+	3,400+	3,800+	4,300+	4,900+
30 pts	35 pts	40 pts	45 pts	
5,500+	6,000+	6,600+	7,500+	

Band E countries

Afghanistan; **B**urkina Faso; Burundi; **C**ambodia; Central African Republic; Congo, (Democratic Republic of); Chad; **E**ritrea; Ethiopia; **G**hana; Guinea-Bissau; **K**orea (North); Kyrgyz Republic; **L**ao; Liberia; **M**adagascar; Malawi; Mali; Mayotte; Mozambique; **N**epal; Niger; Nigeria; **R**wanda; Sao Tome and Principe; Sierra Leone; Somalia; **T**ajikistan; Tanzania; Togo; **U**ganda.

Previous earnings (£) points scores

5 pts	10 pts	15 pts	20 pts	25 pts
1,400+	1,600+	1,800+	2,000+	2,300+
30 pts	35 pts	40 pts	45 pts	
2,550+	2,800+	3,100+	3,500+	

Annex B - Evidence Required in Support of Previous Earnings

Required evidence for those who have been in salaried employment

Both the following:

- Income tax returns covering the period claimed for;
- Wage slips covering the period claimed for.

Evidence for those who can produce only one of the above, or the tax return does not cover the full period claimed

Either or both the following covering periods claimed for:

- Bank statements covering the period claimed for;
- Letter from employer stating salary.

Evidence for those who cannot produce the evidence above

Both of the following:

- Bank statements covering the period claimed for;
- Letter from employer stating salary

Required evidence for independent contractors

All of the following:

- Income tax return covering the full period claimed for;
 - Contracts over the full period claimed showing the full amount of earnings claimed;
 - Invoices from the employer covering the amount claimed; and
 - Bank statements showing incoming payments covering the amount claimed.
- If the supporting evidence does not contain two forms of corroborating evidence which clearly demonstrate the applicant's gross earnings for the period claimed, the applicant should provide one of the following documents listed below;
- A covering letter from their accountant, on business letterhead, which confirms their gross and net earnings for the claimed earnings period;
 - Invoice explanations/payment summaries

Required evidence for those who worked in a country with no tax system

Two of the following three:

- Bank statements covering the period claimed;
- Wage slips covering the period claimed;
- Letter from employer stating salary.

Required evidence for those who have been self-employed

Both of the following:

- Applicant's individual income tax return covering the period claimed;
- Applicant's bank statements covering the period claimed.

In addition, one of the following combinations:

- Company audited accounts and company tax returns (2 documents); or
- Unaudited business/management accounts confirming the total amount claimed.

If unaudited accounts are provided, **either** of the following:

- Business bank statements with a business tax return covering the total amount claimed (2 documents); or
- Copies of contracts totalling the full amount payable to the individual together with corroborating invoices detailing the payment.

If the required supporting evidence above does not provide two forms of evidence which clearly corroborate each other, the applicant has been prompted to provide supplementary evidence from the additional documents listed below;

- a covering letter from their accountant, on business letterhead, which confirms their gross and net earnings for the claimed earnings period.
- Invoice explanations/payment summaries.

Annex C: Background information on Limited Liability companies and Managing Agents

1. Applicants working in the UK as or through a limited liability company do so to reduce their personal liability in the event that the company is liquidated or cannot cover its financial obligations.
2. Where an applicant is claiming earnings from the UK and is operating through a limited liability company, they are often involved in the day to day management of the company or are the sole shareholder. In such circumstances, they should be considered as Self-Employed. The applicant may have a managing agent/accountant to ensure that statutory accounts are filed and the agent may also administer all the financial affairs of the company. (e.g. First Contact, Giant Powerhouse, Harplands)
3. In addition the applicant may have a contract/service agreement with an employment agency, which will then contract out the applicant's services to a third party.
4. Managing agents do not produce company seals or stamps and therefore the applicant's pay statements may not be stamped and signed by the applicant's company. They are prepared by the managing agent and will often be stamped and signed by them. The managing agent may also credit the applicant's personal account directly or payment made to the applicant's company account.

The Supporting Evidence

Applicant's Income Tax Return

- These documents demonstrate the applicant's gross earnings for the financial year for which the return has been prepared. Applicants should provide their most recent tax return. This is helpful as supporting evidence to firmly establish the trading status of the applicant. It is less useful as a form of corroborating evidence for earnings as the tax year is unlikely to exactly match the earnings period for which the applicant has claimed.

Invoices/Invoice Explanations/Payment Advice

- With reference to point three above, the applicant/applicant's company will not have the original invoice for a job of work undertaken if their services are being contracted out through an employment agency. In these circumstances, an invoice explanation/payment summary prepared and issued by the managing agent or accountant will be required to establish the applicant's earnings over the period claimed. This will include a breakdown of the gross salary, tax deductions and dividend payments to the applicant. The total of all gross salary and dividend payments should equate to the applicant's earnings. For assessment purposes, this piece of evidence is acceptable in the absence of the original invoice. The payment summary provided should enable corroboration with the net payments into the applicant's personal bank account.

The applicant's managing agent may have the responsibility for issuing pay advice to the applicant. The pay advice may not appear on company letterhead, but where it is accompanied by an accountant's letter on letter-headed paper, it should be accepted as evidence.

- The payment credit to the applicant's account/business account may come directly from the managing agent or accountant rather than the employment agency or the direct recipient of those services. Contracts/service agreements

or a covering letter from the managing agent or accountant should clarify the relationship.

- Where an original invoice is provided, it may state the number of hours worked, and this will be assessed in conjunction with the contract provided to establish previous earnings. Where this does not confirm the applicant's earnings, the payment summaries/accountants letter should be used to establish the earnings as claimed.

Umbrella Companies

Where the applicant is operating as one of a number of shareholders (often known as an Umbrella Company), without being a Director, they may not be able to provide company bank statements. This may be for reasons of confidentiality with regard to the disclosure of earnings of other shareholders. A covering letter should be provided by the applicant's accountant to explain this where appropriate. The corroboration of earnings evidence should still be possible through the applicant's personal bank statements and an accountant's letter.

Unaudited Business Accounts

- Unaudited accounts should contain a net profit statement of the company to the end of the financial year. The sole director of a company is entitled to take the net profit of the company as their income. These need not cover the entire period for which previous earnings are being claimed, but should detail the individual's earnings for the period they do cover.
- This evidence is not requested to demonstrate earnings. The evidence is requested to solely to establish that the applicant's company has a legitimate trading presence.
- For small companies in the UK, the accounts balance sheet should contain the Director's signature and a statement confirming that they have been prepared in accordance with the Companies Act 1985. Further details can be sought from the Companies House website.

Business Tax Return

These documents demonstrate the earnings generated by the applicant's business for the financial year for which the return has been prepared. They are requested as supporting evidence to firmly establish the trading status of the applicant. They are less useful as a form of corroborating evidence for earnings as the tax year is unlikely to exactly match the earnings period for which the applicant has claimed. Applicants should provide their most recent tax return. For HSMP purposes, the term tax return may denote any of the following:

- a document generated by a tax authority, which shows details of declarable taxable income on which tax has been paid or is to be paid in a tax year (e.g. tax refund letter or demand);
- a document generated by an employer for the purposes of an official return to a tax authority, showing details of earnings on which tax has been paid in a tax year (e.g. P60 in the UK);
- a document generated by an individual/business/company for the purposes of an official return to a tax authority, showing details of earnings on which tax has been paid/to be paid in a tax year that has been 'approved/registered/stamped' by the tax authority (this is particularly relevant to some overseas tax systems e.g. SARAL in India).

Self-assessment tax documents, which are completed by the individual, are not acceptable for these purposes.

Contracts/Service Agreements

- The documents should be signed and dated by those parties to which the contract applies. The documents should provide a description of the services provided and will also help in identifying which earnings category the applicant falls into. Where one of the contracted parties/signatories appears as the applicant's name, it is likely that they are operating as an **Independent Contractor**. If one of the contracted parties/signatories is stated as the company through which the applicant is working, it is likely that they are operating under Self-Employed status. It may be that during the earnings period claimed, the applicant has operated under a combination of earnings categories. The onus of responsibility will be with the applicant to explain which pieces of evidence relate to which period of employment, and the corresponding earnings category. Where there is any ambiguity over the applicant's status, justifications for the category applied under should be made in a covering letter.
- The **contracts will often quote an hourly rate** for the applicant rather than a sum total for the duration of the contract and as such are less useful as a form of corroborating evidence for assessing the applicant's income. Where the applicant's services are sub-contracted by an employment agency to a third party, it may be that a contract between the end user and the applicant does not exist as the agreement has been drafted between the employment agency and the end user. The contract may also be open ended and not specify the exact duration of the contract.
- Photocopied contracts are acceptable as requested on the application form. The documents should be signed and dated by all parties to the contract. For HSMP assessment purpose, it is not essential that the contracts confirm the full amount of earnings claimed