



tax | interns, work experience placement or any other similar title

team



Andrew Jupp
head of tax - partner
020 7969 5508
ajupp@haysmacintyre.com



Anne Gregory-Jones
tax partner
020 7969 5520
agregory-jones@haysmacintyre.com



Joanne Hennessy
employment tax manager
020 7969 5579
jhennessy@haysmacintyre.com



Lorraine Owens
employment tax manager
020 7969 5578
lowens@haysmacintyre.com

do you have any interns?

These days it is common for organisations to take on young people as interns to carry out tasks within their organisations, offering the interns valuable working experience and perhaps a chance to secure a permanent job with them.

should interns be paid?

Whether or not an intern is in fact an employee is a legal matter, and you will need to take specific employment law advice on this. This factsheet sets out the possible consequences of an intern being an employee and the subsequent employment tax issues.

Internships can be unpaid, paid, given reimbursement for expenses, or a combination of these. Internships generally last at least three months or longer depending on the requirements of the organisation. They provide opportunities for young people to gain experience in their chosen field and help them determine whether or not they have the skill to succeed in a particular career.

What must be considered is whether the intern is a worker, voluntary worker or volunteer. This is important because you must determine whether there is an entitlement to the National Minimum Wage (NMW). There may also be an employment relationship with all the responsibilities which this entails. A worker must be paid at least NMW. Students engaged in work experience placements, as part of a UK higher or further education course, where the placement does not exceed a year, are exempt from the NMW. Work shadowing where a student simply observes but undertakes no actual work is also exempt.

workers

It is not the job title that will indicate the status of an individual; the facts will prevail and status will be determined by the arrangements in place and what happens in practice. If the intern:

- has a job description,
- is expected to work set hours, and
- is carrying out the work personally,

then they are likely to be classified as a worker and under the Act will be entitled to at least NMW.

This will mean that the worker should be treated as an employee, which may lead to Pay As You Earn (PAYE) tax and National Insurance Contributions (NIC) liabilities.

Under the National Minimum Wage Act 1998 a worker is defined as someone who is 'doing the work personally for someone else and is not genuinely self-employed'.

	Characteristics	Employer	Qualify for NMW
Worker	Works under a contract of employment or a contract personally to perform work or provide services	Any employer or organisation	Qualifies, unless a specific exemption applies
Voluntary worker	Works under a contract of employment or a contract personally to perform work or provide services	Charity, voluntary organisation, associated fund raising body or statutory body	Does not qualify due to a specific exemption provided certain criteria are met
Volunteer	Not a worker	Any employer or organisation	Does not qualify

NMW, for the period starting on or after 1 October 2010, for workers aged 18-20 is £4.92 per hour; workers aged 21 and over £5.93 per hour; and for workers aged under 18 (but above compulsory school age) £3.64 per hour.

If you have interns and would like to discuss any concerns you have in respect of your arrangements, or employer compliance issues, please contact our Employment Tax team.

about haysmacintyre

haysmacintyre, Chartered Accountants and tax advisers, comprises 24 partners and 160 staff based in Holborn, London. It provides high quality auditing and assurance, business and personal taxation, corporate finance, financial planning and other business support services.

Around 50% of the firm's business is within the corporate sector – small and medium sized enterprises, many of which are in the property, media and entertainment, technology, sports and business services sectors. The firm acts for a number of listed companies and assists new companies raise initial funds on the capital markets and through private equity. 35% of the firm's business is for charitable and not for profit organisations and the remainder is for professional practices and private individuals – whether senior executives, entrepreneurs or those with significant land or wealth at home or overseas.



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Legal disclaimer: haysmacintyre is not qualified to provide legal advice. Readers of this publication should take independent legal advice on the employment law aspects of engaging interns.