

OFF-PAYROLL (IR35) REFORMS

WHAT IS IR35?

The IR35 legislation provides rules around taxation for Contractors working through an intermediary, such as a limited/personal service company. It aims to ensure that Workers who would have been an employee if providing their services directly to a Client pay the same amount of tax and National Insurance contributions as employees. At present, Contractors working in the private sector are responsible for determining their own IR35 status, however this is about to change.

Following the introduction of IR35 reforms into the public sector in 2017, it's now been confirmed that the new off-payroll legislation will also be extended into the private sector from April 2020.

To help end user Clients and Contractors fully consider their preparation, Parker Shaw can aid you in understanding how Contractors will be assessed

WHAT THIS MEANS TO YOU AS THE CLIENT

- From April 2020, the end user Client will be responsible for carrying out an assessment to determine the IR35 status of limited company workers. If the Contractors are found to be inside IR35, they will be subject to PAYE and NIC deductions.
- The Client will then have an obligation to share the IR35 status with the Worker and anyone else involved in the supply chain, such as an agency. The Client should then demonstrate they've taken reasonable care in carrying out the IR35 assessment in a fair and objective manner.
- If a Worker is deemed to be outside of IR35, and the decision is later proved to be incorrect, liability for PAYE and NIC deductions could fall on you, or on the organisation that has failed to fulfil their legal obligation in the assessment (your end client, for example).

WHAT THIS MEANS TO YOU AS THE CONTRACTOR/WORKER

- Workers who are identified as inside IR35 will be required to change their payment method to PAYE, either through their agency or via an Umbrella organisation.
- You can still work through your Limited Company, but the tax and NICs will be taken at source.
- Take-home pay will ultimately be reduced for all workers who must change to the above method.

HOW TO ASSESS WHETHER YOU ARE INSIDE OR OUTSIDE OF IR35

BEING ASSESSED AS EITHER INSIDE OR OUTSIDE IR35 IS BASED ON THE FOLLOWING CRITERIA:

Supervision, Direction and Control:

To what extent can the Client control how, what, when or where the Contractor carries out the work?

Substitution:

Can the Contractor replace themselves at any time by asking someone else to perform the work, or is it the personal service of the named Worker that is required?

Mutuality of Obligation:

Does the Worker have to accept additional work offered, and is the Client obliged to offer them work?

What to do now:

If you have any questions or require further guidance on how to prepare for the assessment, or to plan for future work as a Contractor, please contact Paul Booth at Parker Shaw for a no-obligation discussion on 02380 606100, or by email to paul@parkershaw.co.uk.