

IR35 rules to be scrapped from April 2023

📅 27 September 2022

On 17th October 2022 the government announced that the planned changes outlined below will no longer come into effect from April 2023.

[IR35 rules here to stay after government U-turn](#) →

The Chancellor's recent mini-budget provided a significant announcement for business as it was confirmed that the off-payroll working rules (known as "IR35") put in place for public and private sector businesses from 2017 and 2021 will be scrapped from April 2023.

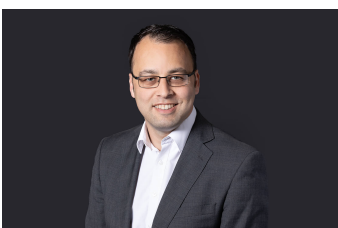
IR35 rules are concerned with the taxation of individual contractors engaged by businesses via an intermediary such as a personal service company. Historically, the issue of determining whether the contractor was required to be taxed as an individual or as a company was a matter for the contractor. This was altered in 2017 and 2021 when the IR35 rules changed and the business engaging the contractor was required to determine the correct tax status of the engagement.

From April 2023, the rules will be reversed and the contractor will be responsible for determining the tax status of an engagement. This change is likely to be welcomed by contractors and businesses which engage them as both sides had their own frustrations with the regime in recent years. The government says the change will free up resources for businesses that engage contractors but some will question the significant time and cost spent implementing the last reforms which created the burden in the first place.

Whilst the changes announced will come into effect from April 2023, there is not yet a clear position on the application of the rules, particularly if businesses fall foul of the current rules, between now and next April. Businesses engaging contractors should continue to consider the application of IR35 and ensure they continue to keep the necessary records of their checks and the tax status determinations.

Come April 2023 there may be increased freedom for businesses engaging contractors as a result of these changes but there remain other tax and employment regulations which provide strong incentives for businesses to continue to be mindful of engagements with contractors. Businesses will continue to be exposed to risk of penalties if they pay individuals off payroll when they know they should be treated as employees. Whilst subtly different to tax status, consideration of employment status should remain a priority for businesses given the potential liability created to individuals where their employment status is wrongly determined.

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