

IR35: Budget confirms changes coming 6 April 2020

11 March 2020

The Chancellor, Rishi Sunak has just delivered his first budget and, in a blow to many who were hoping for a late reprieve, the Government has confirmed that IR35 changes which had long been expected are continuing next month.

“Review of changes to the off-payroll working rules (commonly known as IR35) - At Budget 2018 the government announced that it would reform the off-payroll working rules in the private and third sectors from April 2020. The government has recently concluded a review of the reform, and is making a number of changes to support its smooth and successful implementation. The government believes it is right to address the fundamental unfairness of the non-compliance with the existing rules, and the reform will therefore be legislated in Finance Bill 2020 and implemented on 6 April 2020, as previously announced.”

As a result, the changes will be coming into law on 6 April 2020.

What is IR35?

In the UK, a great number of organisations engage self-employed contractors to complete work on their behalf. IR35 is shorthand for the situation where there is an “intermediary”, often a limited service company, involved in a relationship between a self-employed contractor and an end user or client (“IR35 Contractors”).

IR35 exists to try and prevent a situation whereby IR35 Contractors are actually employees but are using this structure to pay less tax.

What is changing in April 2020?

At present, most, if not all, of the risk attached with the IR35 model sits with the Limited Company. However, from April 2020 and beyond, this focus shifts, often to the End User or Client. As a result, if your company engages IR35 Contractors you may be responsible for:

- Determining whether or not that independent contractor is genuinely self-employed;
- Liability for any unpaid taxes in the event that HMRC deem that your IR35 Contractor is in fact a disguised employee; and
- If they are not genuinely self-employed, bringing that IR35 Contractor onto your payroll.

As a result, it is imperative that all organisations who interact with IR35 Contractors are equipped to deal with these changes moving forward.

What is IR35 Verify and how can it help?

IR35: Verify is a suite of services designed to assist you in complying with your legal requirements in respect of IR35. IR35: Verify works by conducting a thorough review of your existing arrangements to identify areas of concern where there may be a risk an IR35 Contractor is a disguised employee.

Contact



Mark Hickson

Head of Business Development

onlineteaminbox@brownejacobson.com

+44 (0)370 270 6000

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