

IR35 rules here to stay after government U-turn

18 October 2022

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A few weeks ago we brought you news that following the Government's mini-budget 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 would be scrapped from April 2023.

However, on 17 October 2022, the new Chancellor announced a major U-turn concerning most of the tax measures previously announced in the mini budget - including the plans to scrap the off-payroll working rules 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.

In light of the U-turn, businesses will therefore continue to be required to determine the correct tax status of the engagement (and pay the tax and NI where appropriate).

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. In addition to this (and whilst 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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