

Are you prepared for IR35 tax rules this April?

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From 6 April 2021, all medium to large private sector companies with a UK connection will assume PAYE liability for payments they make for contractor services provided through an intermediary (such as the contractor's own personal services company (PSC)) if it takes the view that the contractor is not a genuine independent contractor but rather a “disguised employee”. These Off-Payroll Working Rules will apply to service that have been supplied personally on or after 6 April 2021 and will not affect circumstances where all the work is carried out pre 6 April 2021 (although payment is made after).

HMRC is trying to reduce tax avoidance and currently estimates around 80% non-compliance with the [IR35](#) rules in the private sector. The government wants to ensure that individuals working as employees through their PSC broadly pay the same tax as employees who are directly employed by companies. Currently the contractor is responsible for deciding the deemed employment status of the contractor it hires out to its business clients. From 6 April 2021, HMRC is now shifting responsibility for determining deemed employment status to the end user.

HMRC has on their website an [online check employment status for tax \(CEST\) tool](#) to help determine how work being done should be categorised for tax purposes.

HMRC emphasises that individuals must take care when inputting data and ensure such data is an accurate reflection of the working relationship between the parties. Deliberate non-compliance could result in fines imposed by the Revenue. Care should therefore be taken when determining status and legal advice sought where necessary.

Medium and large companies who engage contractors through intermediaries will need to ensure that they have steps in place to assess deemed status prior to April, and that the contractual documentation in place accurately reflects the relationship. They will also need to include a dispute resolution procedure where the contractor disagrees with the deemed status assessment.

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