



## IR35 Facts

IR35 was introduced in 2000 as the “intermediaries legislation” to stop contractors using a personal services company to “disguise themselves” as an employee thus avoiding PAYE rules. This legislation has been under the microscope recently with “Off-payroll” released into the public sector in April 2017, and now the chancellor’s announcement to implement a similar policy to the private sector in April 2020.

To recap, the rules are; inside IR35 (In-scope) - where the revenue deems the contractor should be treated as an employee and should therefore be taxed under PAYE rules and employers NI now applies, whereas outside IR35 (Out of scope) - where the revenue accepts the individual meets the requirements and is not subject to PAYE rules.

### April 2017 – Off Payroll introduced to Public Sector

This was the first major overhaul of the rules surrounding IR35 for a while.

The objective was: “provide a robust solution that will transition “disguised employees” onto PAYE rules. HMRC chose to move the decision-making process and liabilities away from the intermediary to the “end client”, in this case the public authority. If the authority wrongly determines the status of the assignment, they could be liable for fines and additional costs.

The new directives resulted in a significant proportion of the government contractor workforce moving “in-scope” and costs soaring by circa 20%.

So what does this mean to the contractor?

Not only must they come under PAYE rules, but someone is now liable for employers NI. The options were; the authority increases the pay rate to compensate, the contractor accepts a cut in pay, or the third option which was “leave and find another role out of scope”. Post Off Payroll, many resources left the public sector leaving a skills shortage with less budget to fix the problem.

Whilst the bill did achieve its goal to increase taxes, it came at a price. When the policy for the private sector is finalised in April 2020 it will no doubt cause similar disruption and disarray.

### April 2020 – Reform in the Private Sector, What should I do first?

First steps should be to review your contractor work force with a focus on those engaged outside IR35. Establish which of your contractors are delivering a more “BAU” or “employee” function and therefore likely to fall inside IR35. The findings will give you a loose snapshot of your exposure, which is unlikely to be good news. But there are options available for you to address this that we have completed for

At AJC we can help you navigate through this process and ensure you; suffer minimal disruption, manage costs driving potential savings, transitioning workers in a compliant manner and provide a platform for engaging contractors and permanent staff in an HMRC compliant way going forward.

## Contact us

Let’s work together and help optimise your people and IT capabilities

[www.anthonyjamesconsulting.com](http://www.anthonyjamesconsulting.com)

## Our Core values

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-  Passionate
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