



Off-Payroll (IR35) legislation change: 2020 tax year update for contractors

Due to the Coronavirus pandemic, the UK Government made a swift decision after the Autumn Budget statement was issued to delay the implementation of the Off-payroll legislation (IR35) reforms. This is a *delay* and not a cancellation of the planned legislation, and it still means that everyone needs to be ready for implementation in April 2021.

It is important to note that the IR35 rules in themselves have not changed as a result of this delay. Just has been the case for the past twenty years, there is a responsibility for workers providing their services via their own Limited Companies to assess their tax status under the IR35 legislation, and account for tax due to HMRC. Liability for incorrectly assessed tax status will continue to sit with each Limited Company.

Some clients have taken the decision to implement the assessments & plans that they made in preparation for 6th April 2020, and some businesses have chosen to continue to utilise contractor resource without any immediate changes, as they have taken the opportunity to take another twelve months to prepare.

Continuing conversations with your line manager/HR contacts will be important

- We are advising clients that they should use the next twelve months to ensure that they are fully compliant for April 2021. HMRC had planned a 'light touch' approach had the legislation reform been implemented this year – we can't guarantee that this will still be the case next year, so compliance will be key.
- As we've always advised, planning and preparation will remove the need for hasty or blanket decisions – there is no need to panic! However **now** is the time to make a coherent and workable plan. Perhaps you could approach your line manager/HR contact for a conversation sooner rather than later?
- The danger of making blanket decisions or hasty decisions is that clients may will lose valuable contractor resource now, and risk not being able to staff their projects – this can make them an unattractive client for contractors!

Remember:

Of course, **contractors who work through umbrella companies, OR in SMEs <250 employees, are exempt from this legislation** as they already pay their tax and NICs correctly. Here at Outsorce UK, we only work with fully-compliant umbrella companies to ensure that there are no risks in the supply chain. **You can check our list of the umbrella companies we work with here.**

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Important points to note:

- The reform is not retrospective
- We are awaiting a fuller understanding of the impact of Coronavirus on the contingent labour landscape
- HMRC will not carry out targeted campaigns into previous years' tax affairs
- HMRC will provide extensive support and guidance to help businesses implement the legislation, and will ensure that the guidance is appropriate to the diverse needs of the private sector.

Contact us!

We will advise you as soon as we have any further information to share, either in terms of Government announcements or in relation to the clients for which you are providing services.

If you have any immediate queries, please get in touch via your usual Contractor Care consultant.

Contact our Head of Compliance Victoria Roythorne on (01793) 430021.

Email compliance@outsorce-uk.co.uk

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