

# IR35 rules - change is coming

Darren Oswick

Andrea Finn

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# IR35 today

- Ensure that contractors who would be employees if directly engaged, are subject to the same employment and national insurance as an employee.
- Broadly, IR35 rules apply where:
  1. worker personally performs services for another person (client);
  2. services provided under arrangements involving a 3<sup>rd</sup> party (commonly a personal service company owned by the worker); and
  3. circumstances are such that if worker had contracted directly with client, worker would be regarded for income tax purposes as employed by client.
- If rules apply, personal service company has to account for income tax under PAYE / NICs on sums it receives unless paid out to the worker as employment income
- Rules are complicated, fact-specific and, in HMRC's view, not being followed by two thirds of the contractor market
- From 6 April 2020, responsibility for compliance with the rules will fall on clients, not worker / personal service company

# What should you be doing now?

- Identify contractor population
- Identify parties in contractor supply chain (e.g. agencies)
- Determine how you will apply the rules to the contractor population (individual basis, role description basis?)
- Review existing contracts and ensure new contracts are fit for purpose
- Communicate with internal stakeholders / existing contractors / other supply chain parties
- Prepare for some difficult conversations, both internally and with contractors
- Consider employment law and ER implications as part of decision making
- Get in touch with us (now or after the summer – don't leave it until January!)