

IR35// FACT SHEET

NES Global Talent's Commercial team are award-winning and will support you in navigating the new IR35 legislation.

CLIENTS – Issue 1

BACKGROUND

In 2000, Her Majesty's Revenue and Customs (HMRC), responsible for collection of taxes, introduced the 'Intermediaries Legislation' (known as 'IR35' or Off-payroll Working Rules) to ensure equal treatment for individuals who work in same way.

IR35 exists for the purpose of preventing tax avoidance amongst workers who, were it not for the fact they supply their services via an intermediary, such as a Personal Service Company (PSC), would be treated as a 'deemed' employee for tax purposes.

HMRC refers to such workers as 'disguised employees' as they do not meet HMRC's definition of self-employment and therefore should not benefit from more 'favourable' self-employed tax rules.

To improve compliance, HMRC reformed IR35 introducing changes to the Public Sector in 2017 and subsequently announced the reforms would be introduced to the Private Sector on 6th April 2020.

SUMMARY OF CHANGES

To increase compliance with existing rules, clients will be responsible for determining employment status (for tax purposes) of all Limited Company contractors.

Clients will be responsible for issuing a *Status Determination Statement* (SDS) for every current and new Assignment (see our *Fact Sheet on SDS*).

WHAT ARE HMRC EXPECTING TO ACHIEVE?

It's expected to impact **170,000** individuals working through Limited Company setups who would be employed if engaged directly.

HM Treasury forecasts additional tax collections of **£3.1 billion** over four years.

CRITICAL ISSUES//

- Every current and new Assignment will require an SDS;
- Client obligation to provide SDS;
- Expect rise in cost of flexible labour as a proportion of Limited Companies will be Inside IR35.

What Clients need to do:

- Understand current contingent workforce and identify those contractors who are business critical;
- Adequately resource to ensure readiness for determining status & responding to SDS appeals;
- Accept that a proportion of Assignments will be Inside IR35;
- Consider rate adjustments and impact on business to counter increased cost of supply;
- Acknowledge an increase in attrition if rates are held unchanged.

In preparation for the changes, NES Global Talent will support Clients through each phase of the comprehensive implementation strategy it has developed.

