

IR35// FACT SHEET

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

CRITICAL ISSUES//

- Every current and new Assignment will require an SDS;
- Review your working practices;
- Consider your future engagement vehicle.

CONTRACTORS – 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.

What Contractors need to do:

- Review the SDS once issued by Client. If you want to appeal the determination made by the Client, ensure you have solid evidence to justify your appeal;
- Review your working practices (see our *Fact Sheet on Working Practices*) to understand their impact on whether you would be considered Outside or Inside IR35 (for example are you: under the supervision & control of the client; able to provide a substitute; taking financial risk; is there a clear distinction between you and the client's own staff or are you being treated in same manner, i.e. part and parcel of their organisation);
- If determined to be Inside IR35, consider whether to remain PSC with deduction of tax and NI, or to switch to Umbrella or PAYE.

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

