



Changes to off-payroll working rules (IR35)

There are some important changes to employment taxes coming into effect from 6 April 2020.

Are you affected?

You are affected by the changes to the off-payroll working rules (IR35) if:

- You are a contractor who works through an intermediary, e.g. your own limited company, often known as a personal service company (PSC), and
- You provide your services to public sector organisations or medium or large-sized organisations outside of the public sector.

A medium or large-sized organisation will have a turnover of more than £10.2million, a balance sheet total of £5.1m and/or more than 50 employees.

What is changing

From 6 April 2020, medium and large-sized organisations outside the public sector will be responsible for deciding the employment status of contractors for tax purposes. Currently, contractors themselves are responsible for making this decision in these sectors.

This ensures consistency with the public sector, where these arrangements have been in place since April 2017.

How the changes may affect you

These changes may affect how you pay the tax and National Insurance contributions that are due.

If you are affected, the organisation you are providing your services to will determine your employment status for tax purposes from 6 April 2020. Your hirer will give you a 'Status Determination Statement', which will set out the determination your hirer has made and the reasons behind this. You may be asked to provide the hirer with some information to help them make their determination.

If they determine that you are employed for tax purposes, they (or the agency they have hired you through) will pay the necessary tax and National Insurance before they pay you.

If they determine that you are self-employed for tax purposes, you will remain responsible for meeting your tax obligations.

Depending on your own personal circumstances the terms of your contract may change. It is also possible that you will pay additional income tax and NICs if you had not previously been applying the off-payroll rules (IR35) correctly. However, HMRC will not use information resulting from these changes to open a new enquiry into earlier years unless there is reason to suspect fraud or criminal behaviour.

What you need to do before April

You do not need to take any action before April. But if you think you may be affected you should seek a Status Determination Statement from your hirer, and speak to them to help you understand what this means for you.

You can find further guidance at: <https://www.gov.uk/guidance/april-2020-changes-to-off-payroll-working-for-intermediaries>

You may also find it helpful to use the Check Employment Status for Tax (CEST) tool: <https://www.gov.uk/guidance/check-employment-status-for-tax>

Important information

These changes do not affect the self-employed nor do they prevent people from working through their own intermediary. It does not introduce a new tax but instead changes the way that the tax is collected when a contractor is inside the scope of IR35 and employed for tax purposes.

Guidance on the current rules can be found at: www.gov.uk/guidance/ir35-what-to-do-if-it-applies

On 7 January 2020, the Government launched a review into the implementation of changes to the off-payroll working rules. The review will gather evidence from affected individuals and businesses to ensure smooth implementation of the reforms, which are due to be introduced on 6 April 2020.

Your rights

Where the rules apply, it is important to note that, unless you have a direct employment contract, you will not be classed as a direct employee of the hiring organisation you provide your services to. This means that you will not be entitled to statutory payments or employment rights from them.

From 6 April 2020, if you disagree with the result of the determination, you will have the right to dispute it through your hirer's status disagreement process. You will need to contact your hirer, explaining why you are challenging the outcome. The hirer will have 45 days from the date of receiving your letter to respond to you.

Further Information

More information on the changes can be found on GOV.UK at: www.gov.uk/guidance/april-2020-changes-to-off-payroll-working-for-intermediaries