

# IR35 Survey Results and Solutions

Post Public Sector and pre Private Sector reforms

# OVERVIEW

## What is IR35 and Off-Payroll?

IR35 is the original tax legislation introduced in April 2000 designed to combat tax avoidance when firms engage workers who supply their services to clients via an intermediary, such as a limited company, but who would be an employee if the intermediary was not used. Such workers are called 'disguised employees' by Her Majesty's Revenue and Customs (HMRC).

Off-Payroll is further legislation enacted in April 2017 and designed to combat similar tax avoidance in the public sector only.

## Current position in the Private Sector

The contractor is responsible for deciding whether IR35 applies. If IR35 applies, the Personal Service Company must calculate a deemed employment payment and make payment of PAYE and NICs to HMRC on contract income.

## Current position in the Public Sector (Off Payroll Legislation)

The client is responsible for deciding whether off-payroll applies. If off-payroll applies, the fee payer must calculate a deemed employment payment and make payment of PAYE and NICs to HMRC and report via RTI.

## What is planned next?

HMRC have published a consultation covering off-payroll working in the Private Sector. Although not confirmed, it's looking likely that the same rules put in place in the Public Sector will be applied in the Private Sector. Therefore, it's important you start to plan for and understand the impact now.

# Expert Comment

“ The potential extension of the Off Payroll Legislation into the Private Sector will be the biggest change in the UK contract market for some time. As part of a PLC with recent experience of these changes to our Public Sector portfolio, we are in an excellent position to support our contractors and clients. I am very proud of the level of internal knowledge on this topic and the products and solutions we have in place which offer a range of compliant options for our customers.

We want to be clear with our customers about their options and look forward to working with and taking them through this transition, continuing to build on the trusted relationships we have in place.”

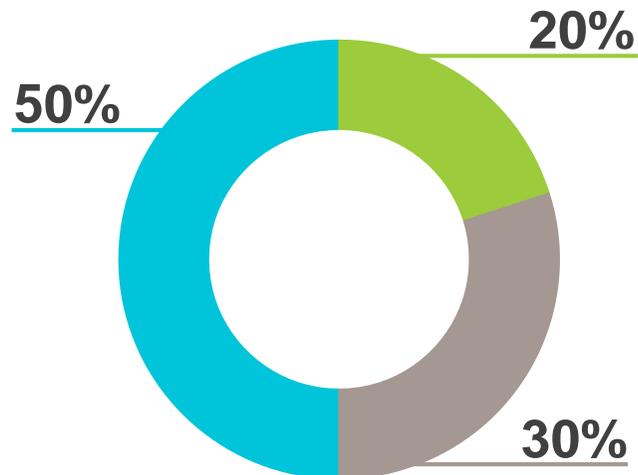
**Charlie Cox**  
**Commercial Manager**  
**SThree Partnership LLP**

# IR35 Survey

We contacted **34,902 contractors** and **25,264 clients** to find out their thoughts on **IR35** in the current landscape.

Following the introduction of the Off Payroll Legislation in the Public Sector and the proposed changes to the Private Sector following the new consultation, this document looks to provide the results and key themes, comments from respondents and leaders across the industry and some of the Progressive Recruitment support that can be offered.

## Who took the survey?



- Private Sector respondents
- Public Sector respondents
- Respondents that provide services across both sectors

## Public Sector respondents

- NHS / Healthcare
- Higher / Further Education
- Local Government
- Central Government
- Charity / Not for Profit
- Housing Associations

## Private Sector respondents

- IT
- Engineering
- FMCG
- Pharma / Life Sciences
- Banking & Financial Services
- Energy / Oil Gas
- Medical Devices

# Contractor thoughts on the Public Sector changes that took place

The standout concerns, as a result of the changes in the Public Sector, were increased costs to end clients and a loss of skilled workforce from the sector.

91% 97% 98% 49%

Said they had seen an increase in cost to the Public Sector as a result of the changes.

48% of these responses were from contractors operating in the NHS.

Thought the Public Sector had lost talent to other sectors or to outside the UK as a result of the changes.

Now that the Private Sector might not be an alternative option, contractors moving overseas may increase.

Said the impact of the Off Payroll Legislation did not have a positive impact on the sector.

Experienced delays to projects as a result of the changes.

These delays were reported to projects across both Central Government and NHS clients.

# Expert Comment

“ UK plc will be subject to disruption to business on all fronts if the new Off-Payroll tax currently plaguing the Public Sector is extended into the Private Sector. Increasing costs, shrinking talent pools, reduced flexibility and legal challenges to status assessments are among the hurdles that firms are expected to have to navigate if the controversial legislation reaches a wider audience.

This survey concurs with the conclusions of our own findings, that contractors will refuse to work as deemed employees, only do so with a rate hike, will challenge incorrect client assessments in court, and demand employment rights if they are assessed as employees. Clients and agencies who are clued up on how to engage contractors outside IR35 will gain a hugely competitive edge.”

**Dave Chaplin**  
CEO



[www.progressiverecruitment.com](http://www.progressiverecruitment.com)

“ This survey is hugely revealing in that it suggests that more than half of UK-based self-employed contractors are ready to move to outcomes-based working. This is a major - but necessary - sea-change in distinguishing the true value of the self-employed as a component of an employer's total workforce.

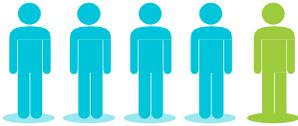
UK plc should be concerned, however, about the scale of interest and potential preparedness to seek work opportunities outside the UK if their means of engagement by UK employers becomes too administratively onerous or challenging. A large proportion of more than four-in-ten contractors expressing this sentiment will be those possessing the skills already in acute shortage in the UK.”

**Belinda Johnson**  
Founder & Director

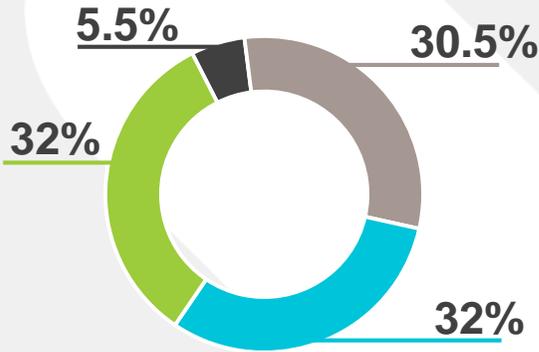


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# Client thoughts on the Public Sector changes that took place



**4/5**  
 People thought that the changes had a negative impact on the sector.



How accurate did the clients in the Public Sector find HMRC tool?

- Very accurate
- Not sure
- Inconclusive
- Incorrect

How did clients make the IR35 determination following the changes?

**53%** used other methods to determine the result



**47%** used the HMRC CEST online tool

**2/3**



Hiring managers said that they had seen an increase in charge rates as a result of the changes. The Majority of these respondents were from Central Government and NHS.

# Private Sector client understanding

There is a huge need to properly educate the Private Sector client base to prepare them for the upcoming changes. With nearly 70% of the respondents saying they were not aware of the impending changes, working with a reputable agency will provide a huge value add and help clients successfully navigate through these changes.

**90%** of Private Sector client respondents confirmed that they are aware of IR35.

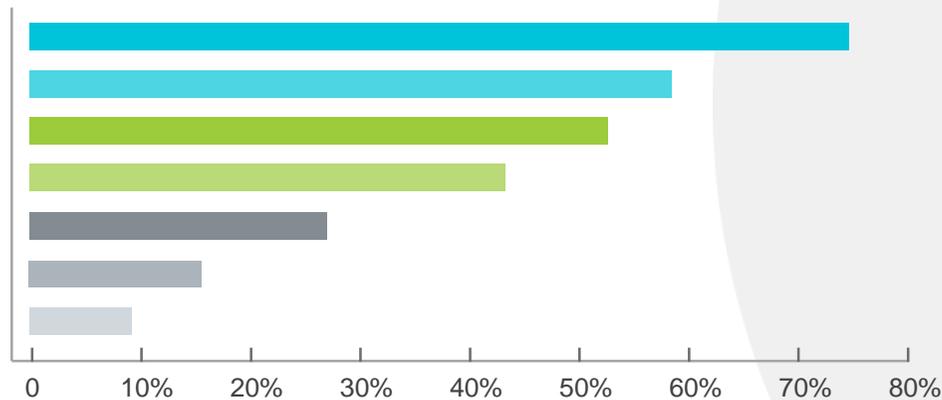
**67%** said that they did not know about the upcoming changes to the Private Sector.

**47%** said they were not aware of the Off Payroll Legislation that was introduced into the Public Sector in 2017. Without the cascading mechanism that exists within the Public Sector, we believe it will be more difficult to implement the same changes into the Private Sector.

# If the Public Sector changes are mirrored and used in the Private Sector, what will contractors do?

Whilst most contractors will be looking to secure opportunities deemed outside IR35, a large percentage of contractors would also be looking to supply on a consultancy / Statement of Work (SOW) solution.

Following the changes in the Public Sector, one solution for contractors was to move into the Private Sector. With that now not an option there is a very real risk that contractors will be looking to either move to permanent or fixed term opportunities, or leave the country entirely. Both options risk the UK flexible workforce being significantly impacted.



55% of the respondents in the **Other** category said they were going to either retire or leave the UK.

- Look for assignments that are deemed to be outside IR35 only
- Increase rates if a role is deemed to be Inside IR35
- Look to engage with customers via different engagement models, such as Statement of Work (SOW)
- Seek opportunities outside the UK

- Consider moving into a permanent or fixed term opportunity
- Close LTD Company, continue contracting but operate via an Umbrella
- Other

# Expert Comment

*Kellie Kwarteng is the SThree UK&I Public Sector Partner and was a key stakeholder when the Off Payroll Legislation was introduced into the Public Sector in 2017. Here are some of her thoughts.*

*“ In my 13 years of recruitment this is one of the biggest, if not the biggest changes the UK contract market has ever seen. The level of knowledge and understanding from the Public Sector customers and timeframes to implement such a key change were also very limited. SThree provided a lot of support to both clients and candidates prior to implementation and continues to offer assistance now.*

*As a PLC we offered free advice across the sector to share our in house knowledge and worked closely with customers on ways we could support them. With around 30% of the UK contractor book sitting in the Public Sector, this was a big task. The recent survey results have highlighted there will be a big education piece required again, a potential cost increase to end customers and a potential risk of talent pools in the UK shrinking.*

*I am pleased to confirm that our business has been through this once before with the Public Sector. We have a highly skilled workforce of specialist consultants – who are equipped to continue supporting customers in the Public Sector and also offer advice to our Private Sector clients and contractors – coupled with a range of compliant solutions we offer.”*

# Supporting you

As part of a PLC covering both Public and Private Sector clients, we've supported and continue to support a number of clients through these changes. We will be offering a series of contractor and client webinars, onsite meetings, workshops and calls with our experts so please **get in touch** to see how we can support you. We also offer a range of services, including...

- Contract recruitment services for assignments deemed either Inside or Outside IR35
- Payroll solutions – ability to compliantly pay contractors deemed Inside or Outside IR35
- Consultancy / Statement of Work (SOW) solutions
- Direct Model – Transfer any of your direct contractors to us to mitigate risk and improve service
- Ability to offer advice to both client and contractors backed by a PLC
- Dedicated in-house training programme to ensure all contract consultants fully understand any legislative changes
- Fully compliant Umbrella and Accountancy companies on an Approved Supplier List – [view here](#)
- Partnership with companies offering Contractor Insurance
- Defined internal and external roadmap leading to the expected Private Sector go live date
- Experience of the introduction of the Off Payroll Legislation in the Public Sector.

With the experience and knowledge we have, we are ready to support your business through these changes. Please get in touch and we will be happy to discuss how you can ensure your business is ready for the changes...

# Get in touch...



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