

An Overview of Changes to IR35



What is IR35?

The off-payroll working rules – commonly known as IR35 – are intended to ensure that individuals who work like employees pay broadly the same employment taxes as employees.

IR35 has been in existence since 2000. In 2017 the UK Government made some changes specific to the Public Sector and now plan to roll out similar changes to the Private Sector in April 2021.



What do I need to do as a client?

It's important to start thinking about how to ensure you follow the rules compliantly.

You should start to think about auditing your flexible workforce, start understanding and making IR35 determinations, ensure all hiring managers are up to speed on the new rules and you are setup to continue to be able to attract flexible workers to your business.



What is changing in 2021?

Until now in the Private Sector, the contractor has been responsible for deciding if the IR35 rules apply or not, this has an impact on the way that they tax themselves.

The change is that it will now be the end client who have to make the decision on if the IR35 rules will apply to the assignment. This is known as being Inside or Outside IR35.



Is it still OK to engage with Limited Company contractors?

Absolutely. The important part is to ensure the IR35 determination is made correctly using reasonable care. Once that has been done, it needs to be communicated down through the supply chain and the Fee Payer needs to ensure that the relevant compliant payment process is used.



If the rules apply what does that mean?

If the end client confirm the assignment is to be considered Inside IR35 (for the rules to apply) then the Fee Payer (whoever in the chain is paying the Limited Company) has to make the relevant PAYE Tax and NI deductions before paying the Limited Company.



How can we help?

As a compliant PLC with extensive experience in contract staffing and IR35 changes in the Public Sector, we have been through these changes before. We have built great knowledge on how to protect and optimise your flexible workforce, and have the relevant contract models in place to support you and your business.

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Please contact your consultant or get in touch with Charlie Cox, Commercial Director on c.cox@sthree.com to find out how we can support you.