

## Off-payroll changes finally launch in April

Changes to the off-payroll working rules that were postponed from April 2020 because of Covid-19 will take effect from April 2021, the government has confirmed.

### Clarifying employment status

The rules, commonly known as IR35, were introduced to tackle the problem of ‘disguised employees’, where organisations take on workers on a self-employed basis rather than on an employment basis. In this situation the worker (normally referred to as a contractor) provides services to a client or end-user through an intermediary – usually their own personal service company (PSC). At present, if the end-user is in the public sector, they must determine the worker’s employment status. If the end user is in the private sector, it is the responsibility of the PSC or other intermediary.

From 6 April 2021, the duty to determine a worker’s employment status will be extended to medium and large private sector organisations and also third sector organisations (e.g. charities). If the worker is deemed an employee, the end user must pass the employment status determination to the organisation that pays the intermediary, which must then account to HMRC for tax and national insurance contributions.

HMRC offers an optional ‘check employment status for tax’ (CEST) tool designed to enable workers and hiring organisations to decide

whether an engagement is an employment for tax purposes.

Businesses affected by the new rules need to prepare. Steps to should take include:

- Identify which workers are engaged via an intermediary and have contracts that go beyond 5 April. These workers will have to be assessed under the new off-payroll rules.
- Where an initial assessment indicates that any workers will fall within the off-payroll rules, consider whether any changes in working practices or other factors could take them outside the rules. However any changes must be genuine, otherwise HMRC could dismiss them as false.
- Determine the risks and costs. Some contractors may not be prepared to continue working under the off-payroll rules, and this might jeopardise a project. Key workers might have to be paid more to stay on.



If you think you or your business may be affected by the new rules we would recommend that you speak to your accountant as soon as possible.

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