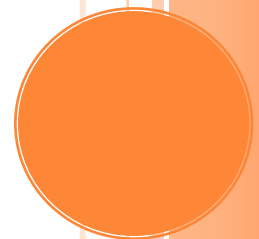


IR35 PRIVATE SECTOR

ARE YOU READY?

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Are you ready for the IR35 changes?

The changes are ahead and have been in the pipeline for some time. It is important that you as contractors are aware of the changes and what needs to be done over the coming months. We know the changes are causing concern and we are working with an experienced Consultant to help you manage the change.

5 STEP ACTION PLAN SUMMARY

STEP 1: KNOWLEDGE – UNDERSTAND THE CHANGES

It is important that you are fully aware of the changes ahead and take positive action. You should note that if you are already complying with the existing rules, then you should feel minimal impact from the new legislation. The new rules are targeted at those who are not complying with the current rules.

STEP 2: ARM YOURSELF! GET A CONTRACT REVIEW

Although it will become your clients responsibility to assess your IR35 status, you should aim to be proactive. Get a full written IR35 Contract Review to understand your status, and you can then approach your client armed with an independent view on your position.



STEP 3: SPEAK WITH OUR CONSULTANT AND OBTAIN IR35 ADVICE

Have a 30 minute debrief call to talk through the contract review to understand your position and arm you with the key facts. This can arm you with the knowledge to take positive action to ensure these changes do not impact too heavily on you.

STEP 4: GET IN THERE FIRST AND COMMUNICATE WITH YOUR CLIENT

Use the email and letter templates provided as part of the review to communicate with your client. Give them a copy of your contract review and ask them to let you know what their plans are. They will appreciate you being proactive and you will feel more confident about taking the initiative.

STEP 5: PLANNING FOR APRIL 2020

Once your client has confirmed your IR35 status its time to start planning. We can discuss an action plan to take advantage of any tax saving opportunities should you leave the world of contracting



STEP 1: KNOWLEDGE

THE KEY POINTS TO TAKE FROM THE DRAFT LEGISLATION ARE AS FOLLOWS:

- From April 2020, private sector clients will be responsible for checking contractors' off-payroll (IR35) status, whereas that responsibility currently lies with contractors;
- To assess contractors' IR35 status, clients will have to complete a status determination for each contractor, which will ensure that there are no blanket assessments placing contractors inside IR35;
- If a contractor disputes their IR35 status as assessed by their client, they will have to appeal to the client directly;
- Small Companies remain exempt from these new rules – only medium and large companies will be affected – and this means that contractors working for small companies will not be affected. See Page 5 for the definition of a Small Company.

As mentioned, if you are already complying with the existing rules, then you should feel minimal impact from the new legislation. The new rules are targeted at those who are not complying with the current rules.

IR35 BACKGROUND: REFRESH YOUR MEMORY

As we all know by now, off-payroll working rules (IR35) have been in place for almost twenty years. They were introduced in 2000 to ensure that people who work as contractors through their own limited companies pay the same level of Income Tax and National Insurance Contributions as employees. Following a reform to the rules in April 2017, public-sector organisations who took on contractors became responsible for ensuring that both they and the workers they engage were paying the correct amount of tax, which has been an effective method of improving tax compliance.

At the Autumn Budget in 2017, the government revealed its plans to start a similar plan for tackling non-compliance in the private sector. A year later, during the Autumn Budget in 2018, it was announced that plans for the reform would be extended to medium and large organisations, and the changes would kick in from April 2020.

WHAT IS THE IMPACT OF THE NEW CHANGES?

The changes are expected to impact around 170,000 individuals who currently work through their own limited company and would otherwise be employed if engaged directly by the client. To reiterate, if you are compliant you should feel minimal impact – but if you are non-compliant, you may feel some effect from the new rules. Either way, it is important to understand the changes and take proactive steps. Those who are non-compliant will be required to pay tax at the correct levels, and this will therefore lead to them facing additional tax liabilities. This could, in turn, lead to an impact on the amount of disposable income available to them – another reason why you should get in touch if you are in any way concerned that you may fall under this bracket.

What types of organisations will be affected?

Medium and large companies will be affected by these new rules. For Personal Service Companies (PSCs) in the private sector where the client is a small company, the new legislation will not apply and it's business as usual. A small company is defined in section 382(3) of the Companies Act 2006 as any company that meets two or more of the following criteria:

- A turnover of less than £10.2 million
- A balance sheet total of less than £5.1 million
- No more than 50 employees

You should note that some prerequisites to tackle anti-avoidance have been introduced by HMRC, in which subsidiaries cannot qualify as small company if they are part of a larger group.

SUPPLY CHAINS IN THE PRIVATE SECTOR: HOW ARE THEY AFFECTED?

For supply chains in the private sector whose end-client does not qualify as a small company as per the above criteria, the new rules will apply. The legislation will be largely the same as that of the public sector, but there are two changes, as follows:

- The end-client will be required to submit a statement to both the worker and the party who directly engages the PSC, in which they detail their decision as to whether the contractor is determined to fall inside or outside IR35 for that specific engagement. Until the end-client provides this information, it will be their business that is responsible for ensuring the correct tax and National Insurance treatment is applied i.e. they will stand as 'fee-payer'.
- If a contractor disagrees with their client's decision regarding their IR35 status, the contractor needs to bring this up directly with the end-client who will have 45 days to respond. If they fail to meet this deadline, they will, as above, stand as the 'fee-payer'.

HOW DO THE NEW RULES DIFFER FROM THAT OF THE PUBLIC SECTOR IMPLEMENTATION?

It is true that the draft legislation for private sector off-payroll workers is extremely similar to that of the public sector implementation, which has landed HMRC with some criticism. The government has been urged to provide clarity on how tax will be calculated, because, as draft legislation currently stands, it looks like the rules are to remain the same as they currently stand in the public sector. The current tax calculation methods in the public sector has resulted in some confusion from end-clients who have ended up making unlawful deductions from payments to contractors, which is no doubt concerning for both contractor's end-clients in the private sector who will now have to comply with the new rules. Hopefully this will be ironed out before the final legislation is revealed. **A consultation on the new legislation has now commenced, the deadline of which is September 5th, 2019.**

STEP 2: ARM YOURSELF

HMRC has said that the changes are likely to affect 170,000 people who work through their own limited company. As mentioned already, if you are compliant with the existing rules, you should not feel much of an impact, and the measure is being introduced to tackle those who are non-compliant.

The objective of the new rules is to ensure fairness between contractors working for clients through a limited company and employees of the organisation, ensuring that contractors are paying broadly the same level of tax as an employee.

Although it will be your client's responsibility to review and determine your IR35 status, by taking the initiative and getting a full written contract review, you are one step ahead of the process in arming yourself with an expert opinion from a neutral source. This will be particularly useful in case your client deems you fall inside IR35.

If your client decides that you fall inside IR35 and you disagree with this decision, the responsibility to appeal falls to you. Your client will have 45 days to respond. By already obtaining an expert opinion, you will have familiarised yourself with the terms of your contract and why you think you do not fall inside IR35. This can only be a positive – so don't delay, and get your contract reviewed as soon as possible.

STEP 3: SPEAK WITH AN EXPERT

Once you have had your contract reviewed, our expert will provide a full de-brief with a minute call. She will be able to help you whether you are deemed to be inside or outside IR35, and discuss with you how to make the next steps

As mentioned, our consultant is an expert in IR35 and will be able to help you prepare and minimise any impact.

STEP 4: COMMUNICATE

Aim to get in there early. Communicate with your client and kick off the discussion – it will benefit you and your client will appreciate you taking the initiative. We have free email and letter templates available for you to use – all you need to do is fill in the information pertaining to you and your limited company.

If you need any guidance or support when communicating with your client, we will be here to help every step of the way.

We will also be on hand to help you appeal any decision made by your client.

STEP 5: PLANNING FOR APRIL 2020

For many of you, you may continue working outside IR35 with no change.

For others, if you are to be contracting inside IR35 it may still be possible and advantageous to continue to work through your limited company.

For those deemed inside IR35, if you are told you must go onto the payroll and become an employee, you may decide to look around for an alternative contract. This may, however, turn into a fantastic opportunity for you to accept a great job offer! Either way, if you are to leave contracting and leave your limited company behind, our consultant can discuss positive, tax-efficient closure strategies with you. You could make a tidy sum!

You may be able to benefit from Entrepreneurs Relief

If you choose to enter employment and sell your limited company, you may be able to benefit from Entrepreneurs' Relief. Entrepreneurs' Relief reduces the amount of Capital Gains Tax you must pay when you sell or dispose of shares in your business.

There are a few conditions you must meet, as follows:

- ◻ You must own at least 5% of the ordinary share capital of your limited company which entitles you to 5% of the votes, 5% of the company's distributable profits and 5% of the net assets on closing;
- ◻ You must be an officer or employee of the limited company, and you must have met all employment conditions for at least two years in the run up to the selling of the shares;
- ◻ The limited company must have been trading in the two years leading up to the selling of the shares.

It is more complex than just meeting these conditions, and there is a time limit for claiming, so speak with us to see whether you can benefit from Entrepreneurs' Relief.

BE AWARE, TAKE ACTION AND START PLANNING!

No matter where you stand, it's important that you are fully aware of your position and know what action, if any, you need to take.

Once your client has confirmed your IR35 status, book a call with our consultant to discuss their conclusion, the next steps available to you, and how to make the most out of these changes.

Be proactive, take the initiative and get planning for April 2020!

GET YOUR IR35 PRIVATE SECTOR REVIEW

£305 PLUS VAT

What's included:

- *Full IR35 contract review*
- *30 minute de-brief call to discuss the outcome of the IR35 contract review and its impact on you and your limited company*
- *Communications Pack including email and letter templates to send to your client to get your communications started*
- *30 minute call to discuss an action plan for April 2020*

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We are here to Inspire, Challenge and Support you.

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