

9 March 2021

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Changes to IR35: Are you prepared?

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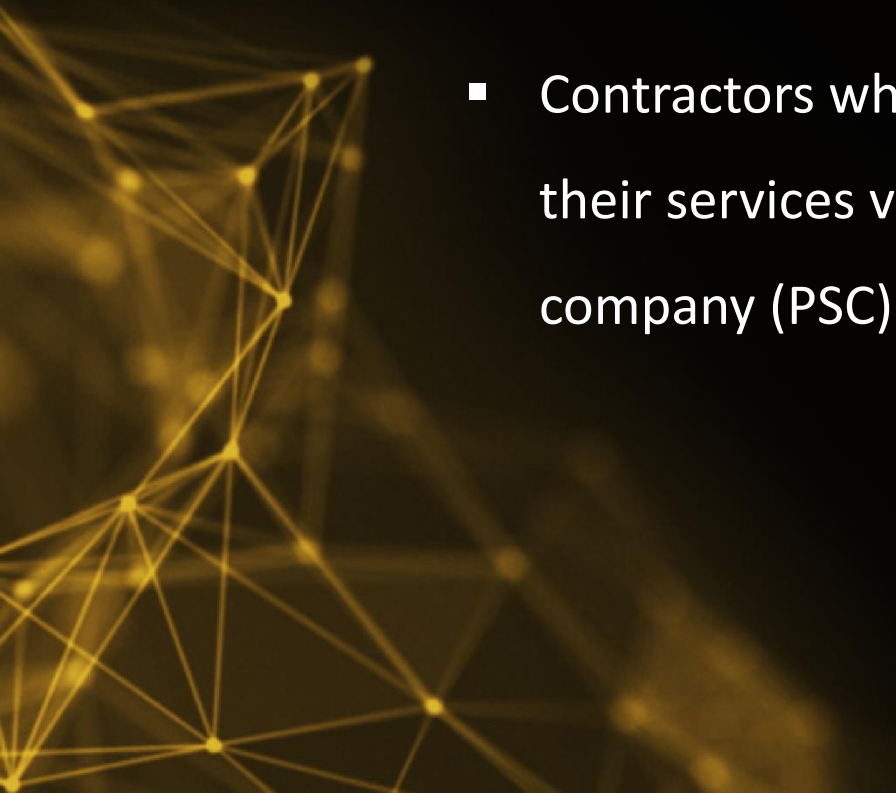
# Today's Discussion

- What is IR35 and what is changing?
- Will the changes impact my business and if so, how?
- How do I know if my contractors are inside or outside the new rules?
- Business risks
- What can I do now to be prepared?



# What is IR35?

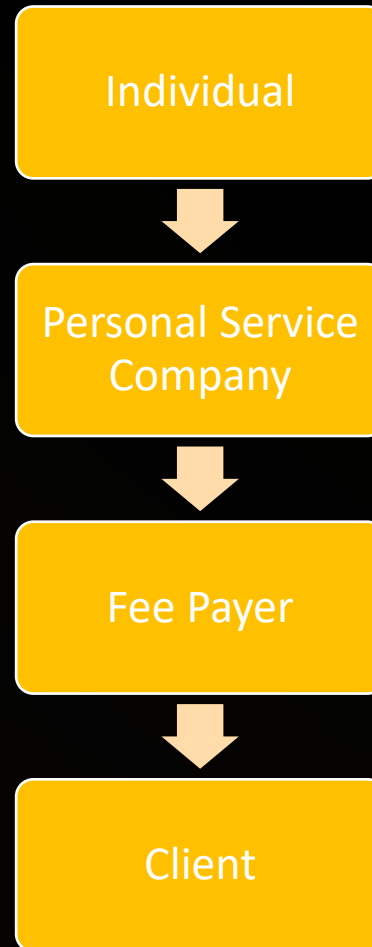
- Anti-avoidance rules
- Off-payroll workers
- Contractors who work in a similar way to employees but invoice for their services via an intermediary, usually a personal service company (PSC).



# Personal Service Company via an agency (not MSC)

Responsible for:

1. determination of employment status for tax; and
2. payment of appropriate taxes.



# What is changing?

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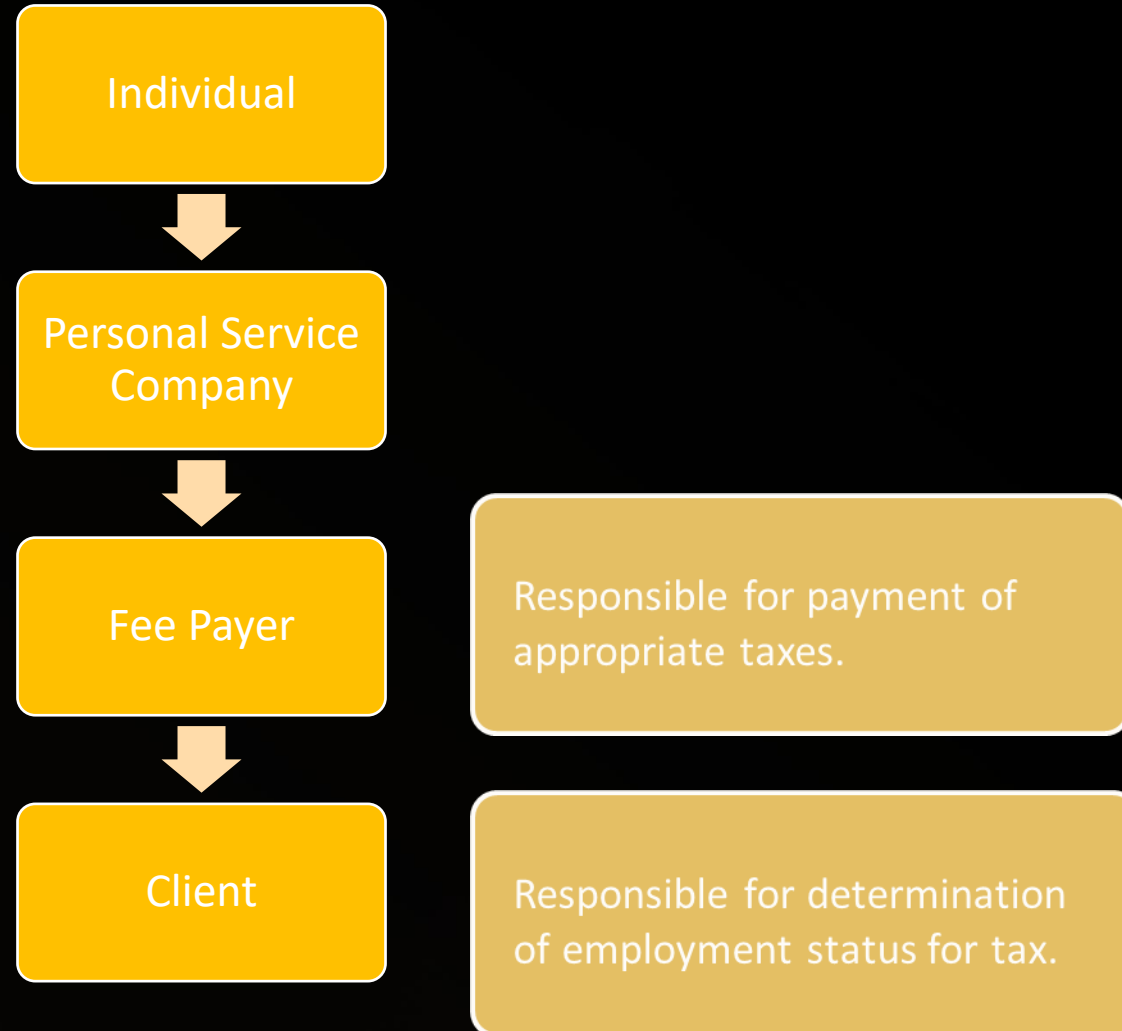


Responsible for:

1. determination of employment status for tax; and
2. payment of appropriate taxes.

# What is changing?

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# Will the changes impact my business?

- Yes – if:
  - you engage; or
  - are engaged as; or
  - pay,  
  
contractors via intermediaries
- Only one exception – ‘Small business exemption’



# Legal Requirements

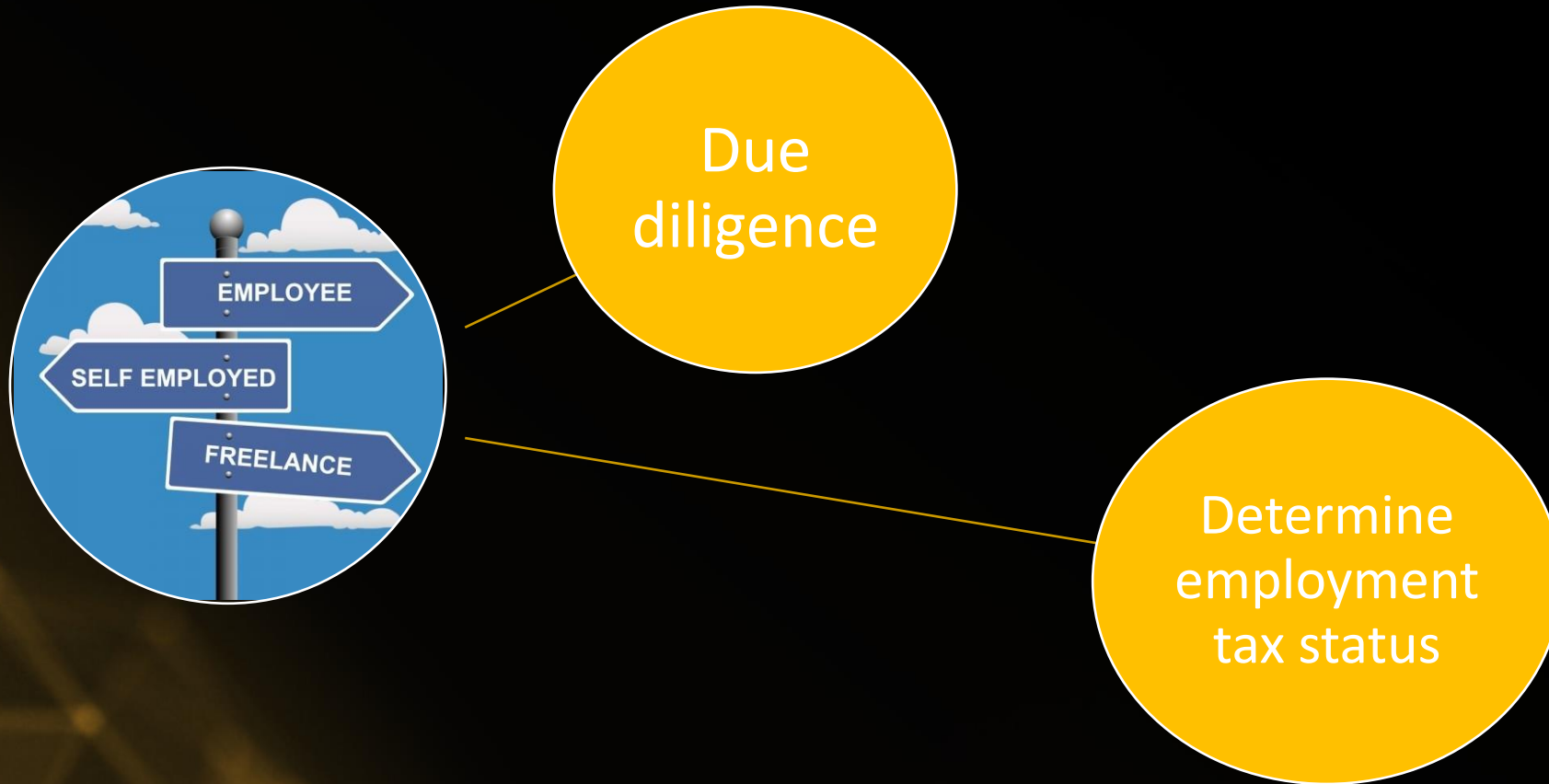
- ✓ Status Determination Statements (“SDS”)
- ✓ Supply chain communication
- ✓ Client-led dispute resolution
- ✓ Records



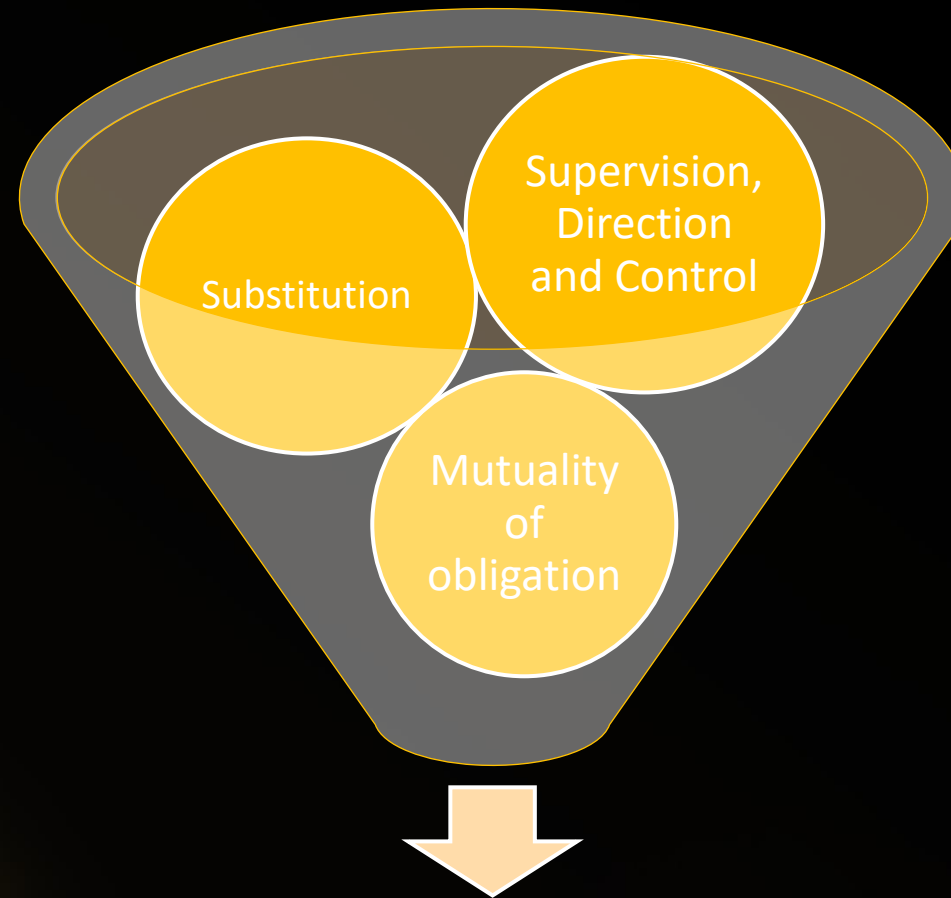


How do I know if my contractors are inside or outside the new rules?

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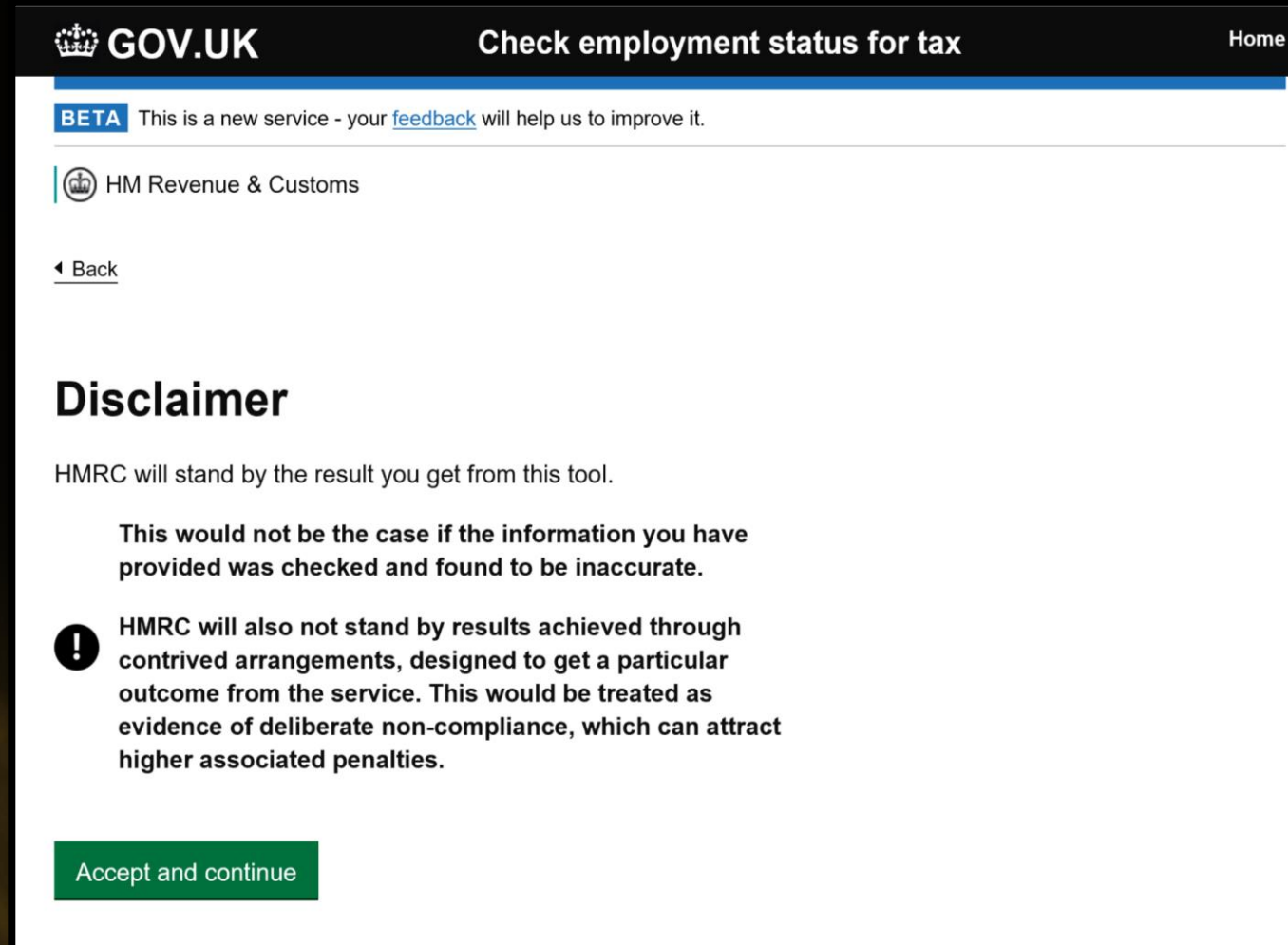
# Employment status: How is it determined?



Employment status for tax

# Employment status: CEST tool

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The screenshot shows the GOV.UK website interface for the 'Check employment status for tax' tool. At the top left is the GOV.UK logo, and at the top right is a 'Home' link. Below the header is a blue banner with the text 'BETA This is a new service - your [feedback](#) will help us to improve it.' Below the banner is the HM Revenue & Customs logo and name. A 'Back' link is visible. The main content area features a 'Disclaimer' section. The disclaimer text states: 'HMRC will stand by the result you get from this tool. This would not be the case if the information you have provided was checked and found to be inaccurate. HMRC will also not stand by results achieved through contrived arrangements, designed to get a particular outcome from the service. This would be treated as evidence of deliberate non-compliance, which can attract higher associated penalties.' At the bottom of the disclaimer is a green button labeled 'Accept and continue'.

GOV.UK Check employment status for tax Home

**BETA** This is a new service - your [feedback](#) will help us to improve it.

HM Revenue & Customs

[Back](#)

## Disclaimer

HMRC will stand by the result you get from this tool.

**This would not be the case if the information you have provided was checked and found to be inaccurate.**

**!** HMRC will also not stand by results achieved through contrived arrangements, designed to get a particular outcome from the service. This would be treated as evidence of deliberate non-compliance, which can attract higher associated penalties.

Accept and continue

# Significance of employment status

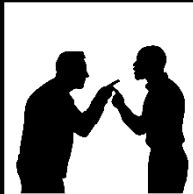
Rights /Protection	Employee	Worker	Self Employed
Health and Safety	✓	✓	✓
National Minimum Wage	✓	✓	
Paid Holiday	✓	✓	
Discrimination	✓	✓	
Whistleblowing	✓	✓	
Protection from unlawful deductions	✓	✓	
Pension auto enrolment	✓	✓	
Time off for dependants	✓	✓	
Statutory family leave	✓		
Right to notice	✓		
Right to request flexible working	✓		
Unfair dismissal	✓		
Statutory redundancy pay	✓		

# Business Risks



Increased costs

Contractor  
raises fees



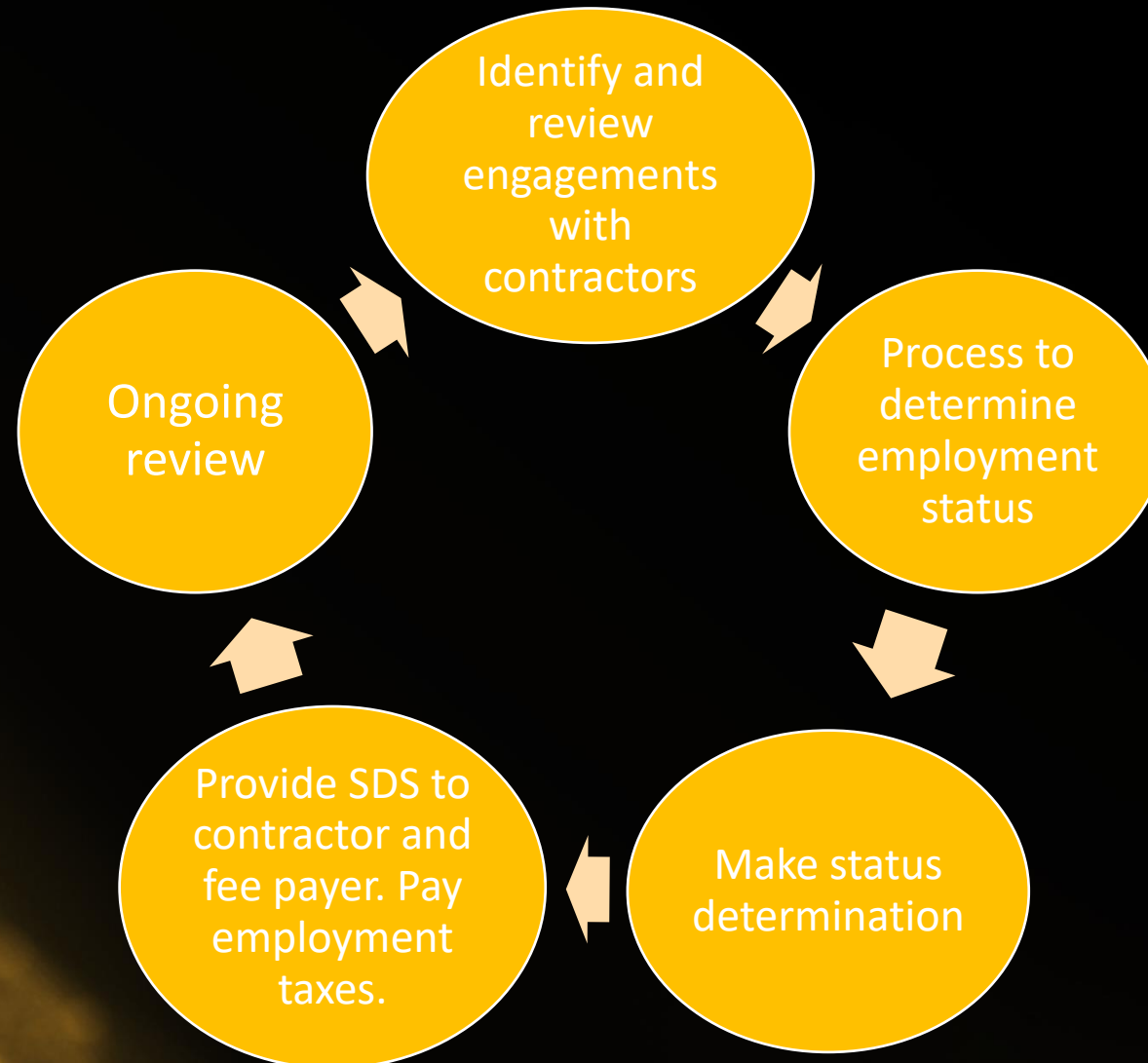
Business delay  
and disruption

Employment  
status disputes



Loss of talent

# What can I do now to be prepared?



# How Freeths can support you?

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Assist with workforce audits, fact gathering and determination of employment status for tax.

Produce risk reports in relation to each contractor

Assist with client-led dispute resolution policies

Review and update contracts to ensure business is protected

Work with your business to consider alternative solutions

Negotiate settlements with HMRC for unpaid tax and NICs

Thank you for your time!

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