

Andy Vessey comments: IR35 to go ahead and other Budget points for contractors

Submitted by: Kingsbridge Contractor Insurance

Thursday, 4 March 2021

Kingsbridge's Head of Tax Andy Vessey comments on the Budget announcement from Rishi Sunak made this afternoon. Andy is one of the UK's leading IR35 experts who's both a qualified accountant and ex-HMRC, has had a huge part in developing our award-winning IR35 status determination tool, and is frequently quoted in Contractor UK. He's also personally defended over 500 employment status tribunals including the IR35 cornerstone Jensal Software case. See his comments below:

"As I and many others have been predicting, when asked to do so, the IR35 reforms are set to happen next month as today's Budget said nothing to the contrary. Medium-large sized businesses that were banking on another reprieve must now busy themselves in getting their IR35 house in order but that is likely to be a frenetic task if they have a significant contractor workforce. With such a short deadline to work to, mistakes are more easily made and those organisations may well need the help and support of IR35 specialists such as Kingsbridge but they need to act now as time is of the essence."

"As previously announced on 12.11.20, Financial Budget 2021 will address the unintended widening of the definition of an intermediary, where it is a company. Last year, a few commentators got somewhat overexcited about the technical implications of this oversight, whereas the majority of others were content that this was simply unintentional and HMRC would not go beyond their remit. The government will also introduce a Targeted Anti Avoidance Rule (TAAR) that will target any arrangements where the main purpose, or one of the main purposes, is to gain a tax advantage by circumventing the conditions of an intermediary and taking the engagement out of the OPR. There are also two further minor related technical changes that will also be legislated for in FB 2021. These changes will improve the operation of the rules by extending the provision of information to the intermediary, as well as the worker and by extending the consequences of providing fraudulent information to any UK-based party in the supply chain. All these changes will become effective from 06.04.21."

"Whilst the Chancellor held true to the Tory pledge of not increasing income tax, NIC or VAT, nevertheless he is freezing the 2021 personal allowance and higher rate tax threshold until 2026, bringing more people into the basic and higher rate tax brackets over the 5 years. Rather sneaky but he was upfront about it."

"From 2023 we are set to return to a similar corporation tax regime that we said goodbye to six years ago, with the re-introduction of the small profits rate. Whilst the rate of corporation tax will increase to 25% on profits exceeding £250K, companies with profits under £50K will still pay the current rate of 19% and there will be an effective marginal rate for profits between £50K - £250K so that companies will not pay the full 25% but greater than 19%."

"From 01.04.21 – 31.03.23, companies that purchase new qualifying plant and machinery will be able to claim a 130% super-deduction capital allowance, meaning that they will reduce their tax bill by up to 25p for every £1 invested."

"Companies and unincorporated businesses will be able to temporarily carry back losses from one year to

three years, which will provide much need tax relief for those businesses pushed into loss-making positions."

"The government is to invest over £100M in a Taxpayer Protection Taskforce of 1,265 HMRC staff to combat fraud within COVID-19 support packages, representing one of the largest responses to a fraud risk by HMRC. For this year, at least, therefore we can expect HMRC to be focusing their attention on this, with the IR35 reforms taking more of a backseat in terms of serious compliance activity."

"The government will also continue to fund compliance work on the loan charge, historic disguised remuneration cases and early intervention to encourage individuals to get out of tax avoidance schemes."

"The penalty regime for VAT and Income Tax Self-Assessment (ITSA) is to be reformed to make it fairer and more consistent. The new late submission regime will be points-based, and a financial penalty will only be imposed when the relevant threshold is reached. The new late payment regime will introduce penalties proportionate to the amount of tax owed and how late the tax due is. Interest charges and repayment interest will see VAT aligned with other tax regimes. These reforms will take effect as follows:

- VAT – periods starting on or after 01.04.22
- ITSA taxpayers with business or property income over £10K p.a – accounting periods beginning on or after 06.04.23
- ITSA all other taxpayers – accounting periods beginning on or after 06.04.24"

"VAT registration and de-registration thresholds will not change for a further period of 2 years from 01.04.22, potentially bringing more business into the scope of VAT."

About Kingsbridge Contractor Insurance

The Kingsbridge Group has grown to become one of the UK's leading providers of specialist insurance and IR35 services to the rapidly growing contingent workforce of contractors, freelancers and gig workers, through its Kingsbridge Contractor Insurance and Dinghy brands. It is also one of the leading providers of specialist brokerage services to corporate clients in the utility, recruitment and other industries through Kingsbridge Insurance Brokers.

Revenue growth over the past three years has averaged in excess of 25 per cent and it now services over 50,000 customers, working with over 500 partners and through its own online distribution channels. This growth illustrates the success of Kingsbridge's strategy to position itself to benefit from the long-term shift in the UK economy away from permanent roles toward a more flexible workforce, allowing companies of all sizes to access highly skilled professionals when they need them.

The Kingsbridge Group, which employs 75 people, is headquartered in Tewkesbury, Gloucestershire, and has offices in London, Liverpool and Guernsey. Kingsbridge is owned by NSM Insurance Group, the leading provider of specialty insurance programs in the US.

Kingsbridge was named as the 2018 Independent Broker of the Year by Insurance Times and in March 2020 as one of the UK's top five insurance employers by the Insurance Post.

For more information, please visit www.kingsbridgegroup.com and www.nsminc.com.