

IR35 scaremongering risks damaging talent ecosystem

Submitted by: BlueSky Public Relations Ltd

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Businesses must not succumb to fearmongering surrounding changes to off-payroll working in the private sector – and recruiters are best placed to ensure that companies don't lose out on the benefits of contractor workforces after April 2020. That is according to a recent event, hosted by contractor insurance specialist Kingsbridge, and attended by IR35 experts from organisations including APSCo, EY, Larsen Howie, Robert Walters Group and SThree.

The advice comes following reports that big name employers including Sainsbury's, GlaxoSmithKline and Vodafone have followed the example of Barclays and HSBC, banning the use of PSC contractors throughout their organisations.

From next year, businesses engaging independent workers will become responsible for setting the tax status of these individuals. As part of this reform, the tax liability will also transfer from the contractor to the fee-paying party in the supply chain, which is typically the recruiter or the company that directly engages the individual.

Attendees unanimously agreed that HMRC's CEST tool – even in its latest iteration - is flawed. However, it was recognised that for straightforward cases, where status determinations are very likely to fall 'outside', it could provide useful evidence.

During the session, experts voiced the belief that high-profile blanket bans on contractors are not reflective of the wider market, and the potential consequences of such radical steps on the UK economy – if adopted more broadly - should not be ignored. It was suggested that big banks, in particular, could simply be trying to avoid reputational damage related to questions on tax avoidance - while also saving money by reducing their temporary labour books.

Every expert in attendance agreed that there is no reason why businesses should not continue to engage with genuine contractors: if the supply chain is engaged, and the contract is solid, any assessment will stand up to scrutiny.

The role that recruiters should play in ensuring that businesses remain confident in engaging PSC contractors was also highlighted. Those in the room agreed that talent acquisition consultants have a real opportunity to consult with clients and offer genuine solutions during this period of uncertainty.

The insight was shared at an exclusive event to launch Kingsbridge's new insurance product: IR35 Protect. The policy provides cover of up to £100,000 in legal defence costs per contractor per year – and £100,000 for tax, interests, penalties - therefore, removing the tax liability from the entire supply chain and allowing clients and recruiters to continue to hire legitimate contractors outside of IR35 without assuming any additional tax risk.

Thomas Wynne, Managing Director at Kingsbridge, commented:

"If not planned for correctly, the introduction of IR35 in the private sector has the potential to

restrict the use of contractors, disrupt the UK's talent ecosystem and, as a result, restrict the growth of the UK economy.

"News that big-name employers, such as Barclay's and HSBC, are imposing a blanket ban on PSC contractors will have done little to alleviate the fears of some employers. However, both hirers and recruiters should view the new landscape as a prime opportunity to look at recruitment supply chains and review how work gets done more generally.

"Good recruiters are happy to place genuine contractors outside of IR35, and will work with employers to determine the status of these individuals, helping the client to overcome reasonable care requirements. The best consultancies will also take a belt and braces approach through insuring against the risk of miscalculation, freeing employees from any potential liability so that they can continue to benefit from flexible, agile, highly-skilled workforces.

"IR35 Protect - when aligned with a fit and proper process, enables businesses to continue to engage with contractors with complete confidence, by protecting all parties in the recruitment supply chain."

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