

IR35 POSTPONED UNTIL 2021, LARSEN HOWIE COMMENTS

Submitted by: Kingsbridge Contractor Insurance

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IR35 delay: keep preparing for off-payroll rules!

Following yesterday evening's announcement that the IR35 reform is to be postponed until 2021, niche contractor insurance broker and employment status specialist Larsen Howie urges contractors, recruiters, and employers not to halt plans to prepare for changes.

We'd like to stress that the legislation has been delayed, not cancelled; any investments you've made or are making in getting ready for the reform will not be wasted and will stand you in good stead versus competitors who are burying their heads in the sand.

This postponement comes as part of a broader plan to bolster the UK economy against the COVID-19 pandemic.

On the delay, Andy Vessey, Head of Tax at Larsen Howie, comments:

"The government's decision is clearly the right one to make during this time of social and economic upheaval. IR35 is the least of this country's problems at the moment so it is correct to put it on the back burner. Given though, that end clients and recruiters have now another 12 months to prepare, I would expect the 12 month soft landing assurance previously promised for this year to be withdrawn when the reform is implemented in April 2021, particularly as there will be a need to recoup as much tax revenue as possible to repair the huge dent in the Treasury's coffers caused by Covid-19. In other words, the market has twelve months to get this right. After that, there will be strict enforcement.

For those contractors that were concerned that HMRC might take retrospective action, all bets are off now until 6th April 2021. Anyone who has received an 'inside-IR35' status determination, having previously self-assessed themselves as outside and which HMRC may have now caught wind of, may now find the Revenue using this time to target them over the next 12 months. We may well also see HMRC IR35 compliance activity ramped up in 2020/21 because of the fact that anticipated PAYE & NIC receipts arising out of the operation of the off-payroll rules will need to be recovered elsewhere. Contractors should therefore ensure they work with end-clients and recruiters to change their working practices, have tax fee protection or, even better, tax loss insurance in place for such an eventuality.

End clients and recruiters should certainly not take their foot off the pedal but maintain their momentum to be well prepared for the inevitable on 6th April 2021, working to embed new tools and working practices across the entire supply chain.

Additionally, it will be interesting to see if those larger firms that have somewhat arbitrarily imposed blanket bans on PSCs, use the extra time and pressures on their business to take a more informed and balanced approach that uses the various assessment tools and insurance solutions out there to protect their risk without unnecessarily increasing their costs or ability to deliver projects. Use this time wisely and productively."

ENDS

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About Andy Vessey

Andy was previously Qdos' Head of IR35 before joining us last year. He's also worked for HMRC as a tax inspector and is a qualified accountant. He's defended over 500 employment status cases against HMRC and has won the majority of them, including the cornerstone Jensal Software Ltd case that established some of the IR35 status determination ground rules.

More recently, Andy wrote responses to the taxman for over 100 of the GSK contractors that received a 'nudge' letter back in August and has played a pivotal part in IR35 consultation for big industry players like the DIT and QUANTA. His most recent IR35 investigation win was on behalf of a commercial pilot.

About Larsen Howie

Larsen Howie is an online insurance broker that was established in 2015 and is based in rural Leicestershire. It is one of the UK's leading providers of specialist insurances and IR35 advice to contractors, freelancers and consultants. Larsen Howie provides Professional Indemnity, general liability, IR35 & tax protection and legal expenses insurances, as well as IR35 contract review and consultancy services to over 600 professions across 12 industries, all transacted via a self-service website.

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