



HM TREASURY ANNOUNCE DELAY TO PRIVATE SECTOR IR35 REFORMS TO APRIL 2021

The Government has announced the postponement of the extension of the new Off-Payroll Worker Rules to the private sector due to commence on 6 April 2020 by one year with them now being introduced from 6 April 2021.

The reforms, which pass responsibility for determining a contractor's status from the individual to the organisation which employs their services, were introduced to the public sector in 2017. Their extension to the private sector has proved controversial, with claims from industry that the rules are too complex and that HMRC's online tool check employment status for tax (CEST) used to determine whether or not they apply to contractors is not robust enough to provide a certain or accurate outcome.

The move is intended to alleviate pressure on businesses both in terms of the recent COVID-19 outbreak and also to enable businesses to better plan for the introduction of the new legislation. The latest announcement means the Finance Bill legislation will be amended to show the new start date of 6 April 2021, and fresh legislation will be brought then.

This is despite the Chancellor confirming only last week in his Budget speech that these changes were due to come in on time.

Last night Steve Barclay, the Chief Secretary to the Treasury, made the shock announcement to the House of Commons confirming the postponement until 2021.

"I can also this evening announce the government is postponing the reforms to the off-payroll working rules, IR35, from April 2020 to April 6, 2021.

"This is a deferral in response to the ongoing spread of Covid-19 to help businesses and individuals.

"This is a deferral not a cancellation and the government remain committed to reintroducing this policy to ensure people working like employees but through their own limited company pay the same tax as those employed directly."

It follows calls from members of the House of Lords earlier this week which urged for the IR35 tax rules to be postponed in light of the coronavirus fallout and its economic impact.

Lord Forsyth of Drumlean warned to push forward with the changes in the current landscape would be "perverse" and instead suggested a delay period of six or 12 months.

Steve Wade, Managing Director of Vantage Tax Fee Protection Limited said that "whilst this will come as a relief to many of our accountants whose contractor clients were struggling to plan for the changes in their tax position and the impact on their business' future, it is a shame that it has taken this pandemic and the recently imposed COVID-19 restrictions for the Treasury to implement a delay on this extension that most people in industry have been calling necessary for some time"

"Time, money and effort has been spent by all businesses whether large or small to get to grips with the financial implications of the changes which have now been put on hold."

"I imagine there will be a lot of anger from PSC owners who have already made the decision to close their companies in preparation for the April 2020 changes and this expense has now been unnecessary. They find themselves without a company to trade through and they are not to be classed as an employee for 12-months."
