



**Kilsby Williams, South East Wales’ largest independent accountancy firm, is urging all medium and large businesses to take notice of planned reforms to the way contractors are taxed under a system known as IR35, or ‘off payroll’ working rules, from 6 April 2020**

IR35 was first introduced in 2000 to address concerns relating to contractors who supply services via an intermediary but otherwise have the essential features of an employee. The proposed changes are an extension of the 2017 IR35 reforms and will ensure businesses from the private sector are working in line with the public sector where these rules have applied since the 2017 reforms.

Presently, a private sector business which employs contractors who use Personal Service Companies (PSCs), does not deduct tax under the pay as you earn system (PAYE) from amounts paid to the contractor, and more importantly, does not have to pay employer’s national insurance contributions (NICs), which is currently payable at a rate of 13.8%.

These changes in legislation are set to mark a significant shift in employment tax compliance, where agencies and companies employing contractors through PSCs will become responsible for determining the tax status for their contractors. Organisations will need to determine whether the rules apply for contracts which continue beyond 6 April 2020.

The changes are set to increase operating costs and compliance risks. Only small businesses will be exempt from applying these new rules.

A small business is one which satisfies two out of the following three tests:

- Turnover of less than £10.2 million.
- Balance sheet of less than £5.1 million.
- No more than 50 employees.

Medium to large businesses should take the following action:

Review their workforce in order to identify individuals who are supplying their services through PSCs.

Provide any individuals identified above with a status determination statement before 6 April 2020.

Ensure any workers where the status determination is one of employment status are payrolled.

Put processes in place to deal with any disputes and ensure that status determinations are carried out for future engagements with intermediaries.

Daniel Burton, tax manager at Kilsby Williams, says: “It is of vital importance that businesses affected are prepared for these changes.

“Changes in legislation are set to mark a significant shift”

“As a result of the new legislation, there are a number of practical issues to consider for organisations who employ contractors from PSCs. Whilst the biggest impact will be on tax bills, it is essential that time is taken to understand and review the proposed changes. The IR35 reforms are a complex piece of legislation, and there are many factors to consider when setting the status of contractors and the cost of incorrect decisions can be detrimental to a company’s finances and time management.

“We invite anyone who would like advice or help regarding the legislative changes to IR35 to get in contact with us at Kilsby Williams. We can help ensure that businesses are aware of the changes and how they are going to affect them and identify a programme to help ensure an effective transition to the new rules.” □

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