

IR35 | BUDGET 2018

IR35 EXTENDED TO THE PRIVATE SECTOR,
FROM [APRIL 2020](#)

New plans announced by Chancellor Philip Hammond in Monday's budget will see the IR35 tax framework introduced to the public sector in 2017... extended to private sector businesses from [April 2020](#).

"Mr Deputy Speaker, The off-payroll working rules – known as IR35 – are designed to ensure fairness, so that individuals working side by side in a similar role for the same employer pay the same employment taxes. Last year, we changed the way these rules are enforced in the Public Sector. But widespread non-compliance also exists in the private sector.

So following our consultation, we will now apply the same changes to private sector organisations as well. But after listening carefully to representations during the consultation, including many from my honourable and right honourable friends, we will delay these changes until April 2020 and we will only apply them to large and medium-sized businesses."

The changes [won't effect](#) the 1.5 million smallest UK businesses, but [will force large and medium-sized companies](#) to review the status of all freelance and contractor staff; determining if IR35 rules apply and whether income tax and employee national insurance contributions (NICs) deductions are required - alongside payment of employer NICs.

This move will most prominently affect those people working within the fields of IT, engineering and consulting, with critics accusing the Chancellor of creating a burden on businesses and the self-employed.

"Despite the Chancellor's move to freeze the VAT threshold and bring forward the tax-free personal allowance rise, his decision to roll out controversial off-payroll (IR35) changes to the private sector in April 2020 will have a catastrophic impact on one of the UK's most productive and dynamic sectors" - [IPSE](#)

The Treasury has said it will ["build on learnings from the introduction of the reform to the public sector"](#), believing that new private sector IR35 measures will result in £1.3bn in taxes following the first year of implementation. However, with the previous rollout highly criticised for its lack of clarity when determining tax status of a worker, this announcement is expected to create significant red tape for employers and shockwaves throughout the self-employed community.

For full details of the Budget announcement as released by HM Treasury, visit:

<https://www.gov.uk/government/publications/off-payroll-working-in-the-private-sector-ir35-budget-2018-brief>