

# IR35 | REFORM

## WHAT ACTUALLY IS IR35, AND WHAT DOES IT ALL MEAN TO PEOPLE AND BUSINESSES IN THE PRIVATE SECTOR?

**IR35.** Since the announcement that IR35 regulations would be extended to the private sector in April 2020, we've received a mixed batch of feedback from contractors and clients alike. Whilst various resources are available for IR35 information and help, there is still a knowledge gap and a tremendous amount of confusion... which ultimately could see many contractors and companies risk non-compliance next year!

Caspian One has teamed up with leading contractor insurance firm Qdos Contractor, in an effort to combine our unique insights and bring you the latest and most relevant information on IR35... specific to the people and companies we assist.

In the first part of our new IR35 series, we answer the most common question we keep hearing...

*"What actually is IR35, and what does it all mean to me?"*

The facts then. When IR35 reforms take effect in 2020 medium and large companies in the private sector will become responsible for setting the IR35 status of workers. Additionally, they will become financially liable should HMRC deem they have made any incorrect assessments. These changes will be enforced from April 6th next year and will be similar to those introduced in the public sector in 2017.

Contractors will no longer have the power to decide whether they belong inside or outside IR35 - It will be their end-client that makes this decision... effectively setting the tax status of the contractors they engage with.

Being placed inside IR35 can cost contractors up to 30% more than it would when working outside of the rules. In short, they are deemed 'employed for tax purposes', meaning they pay similar taxes to employees. A huge sticking point, however, is that they do not receive any permanent employment benefits - yet must pay significantly more in tax.

Partially in response to IR35, we recently launched Caspian Partnered Capabilities. Designed to empower businesses and freelancers alike, this working model enables us to provide contractors with an answer to the implications of IR35 - along with access to unique and commercially attractive projects.

While contractors won't be liable for any missing tax (this is expected to rest with the end-client and when involved as the fee payer, the agency) - independent workers are worried that they will be unfairly placed inside IR35.

Ultimately, IR35 reform is manageable, and contractors will be able to continue to operate outside the rules going forward. The onus, however, is now on private sector businesses to prepare well in-advance.

If your unsure of your status, it's well worth having your contract reviewed by an independent expert. This can be used to set status initially and, when further changes are enforced, challenge an incorrect decision made by a client.