

Contracting market is “springing back” says specialist SG Accounting



In this exclusive interview with Dan Mepham, MD of [SG Accounting](#), we hear from the front-line how their contractors have coped with the triple whammy of Brexit, the Pandemic and IR35 and discover that the market is now back on the up for many.

Q) How has the contract market weathered the recent storms?

After having the off payroll reforms hanging over us like the [sword of Damocles](#) I think most in the contractor market were just saying “let’s just get it over with now”. I’m sure many firms put things on hold on the basis they couldn’t really predict the outcome post April 2021.

We had the off-payroll reforms in the public sector but I don’t think it really gave us much in the way of foresight for this. Especially coinciding with a global pandemic.

We had always expected there to be many end clients and agencies that left things until the last minute and those that took a “low risk but easy compliance” approach by putting contractors on payroll.

Q) What do contractors have to look forward to?

Things seem to be looking up over the last 2 months – perhaps end clients have more time on their hands to consider but the more cynical would say contractor power is starting to prevail.

Contractors in a job already are in a position of power to argue a contract is properly reviewed in the hope it’s deemed outside of IR35.

Contractors with specific skills are in demand and end clients are increasingly having to consider how they can ensure projects are not caught by IR35 in order to attract that top talent.

Q) How did your contractors cope with IR35? Predictions going forward?

Our client base is mainly highly skilled IT contractors and project managers so as a whole our client base will have been less affected than those at the more manual end of the contractor market. That being said we noticed very early on that our clients were thinking about this well before their end clients were.

We created an “IR35 hub” for our clients which described the changes and what they could expect to happen over the proceeding months. I’d like to think this helped our contractors cope with the changes being forearmed with knowledge and prepared to fight their corner.

My worry is that new contractors coming in to the market won’t have the benefit of a long standing relationship with an accountant or IR35

expert and therefore may be more likely to roll over when presented with an inside IR35 contract.

The hope is the market as a whole comes in to play here and demand for IT Contractors exceeds supply of contractors that are prepared to work inside IR35.

Q) Are your contractors being treated fairly on IR35 matters?

Those contractors that have been subject to a formal CEST type evaluation of their contract are likely to have been dealt with fairly. It's been rare that we've seen a decision of insider IR35 being provided where the end client has reviewed all the facts.

What is less fair are the large number of contractors that had no CEST style evaluation and were subject to blanket PSC bans. The main culprits here were the large banks who made decisions early on that they were not going to evaluate individual circumstances and bear the risk of getting that wrong but instead just outlaw anyone working through a PSC.

As I mentioned earlier it's my hope that some of these end clients reverse the decisions when faced with skill shortages on projects.

Q) Is it much hassle these days to run a company what with all the tools available? What do contractors typically use and why?

Every year there seems to be more compliance and forms to fill relating to running a company. RTI payroll returns, MTD for VAT, CJRS claims etc came in but we are also seeing changes in the way accountants work and accounting software is used.

I remember testing software that scanned receipts over 10 years ago and thinking it was good but not quite ready to go out to the mass market but now it's fairly commonplace. Automatic bank feeds on online accounting platforms make bookkeeping easier for a contractor and means that the accountant can spend more time on advice that simply crunching the numbers.

I would say the admin hassle is not really around the bookkeeping side of things but more keeping track of deadlines – this is where a good accountant will come in and keep you on the right side of HMRC and Companies House.

Q) Is switching accountants easy enough, now that everything is online?

Switching accountants was never really a daunting task for a contractor anyway. It was always the job of the new accountant to get everything in place. The process was for the outgoing accountant to correspond with the new accountant and ensure they have everything they need to proceed.

Accounting information being online now speeds up the process a bit for example, handover information between accountants is now typically being sent by email rather than post. If a contractor uses software such as [FreeAgent](#) or Xero then access to those records can be provided instantly to the new accountant to take over.

This interview was with Dan Mephram, the Managing Director of SG Accounting, a specialist firm offering contractor accounting services and expert advice.

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