

No Off-Payroll delay in 2021 Budget – clients must prepare



There will be no further postponement to the private sector rollout of the Off-Payroll legislation which will go ahead next month, this afternoon's Budget has confirmed.

The absence of any reference to the Off-Payroll rules from the Chancellor of the Exchequer's 'Red Book' effectively put an end to any hopes UK plc, contractors and industry stakeholders may have been holding for a last-minute U-turn.

"Unfortunately, despite the backdrop of continued economic uncertainty, Government made it very clear it intended to extend the Off-Payroll legislation to the private sector this April, so a change of heart was always very unlikely," comments ContractorCalculator CEO Dave Chaplin. "For hiring firms and agencies who aren't already doing so, this afternoon's confirmation leaves absolutely no choice but to prepare as best they can."

Calls for further delay fall on deaf ears

Government had announced an initial 12-month delay to the rollout in March 2020, so as not to compound the damaging impact of COVID-19 on the self-employed. However, with PM Boris Johnson's recently announced roadmap aiming to remove all COVID restrictions by summer 2021, Government apparently saw no justification for a further delay.

This was in spite of a year of continued criticism voiced by contracting stakeholders, including the Association of Independent Professionals and the Self-Employed (IPSE):

"These changes were delayed last year because the Government recognised the sector was not prepared for them and that, with the impact of the pandemic, they would harm the self-employed and the economy," warned IPSE director of policy Andy Chamberlain. "The situation is no better now: and, in fact, now would be the worst possible time to introduce these changes."

"The innovation and flexibility of the self-employed sector will be vital for economic recovery after the pandemic. For that to happen, however, the Government must take a long view and nurture and protect the flexible workforce now for the good of the economy and the country. It must not – as some reports suggest – seek short-term gain at the cost of long-term pain."

Government addresses Off-Payroll drafting issue

In more positive news for contractor supply chains, HMRC also published a policy paper shortly after the Budget outlining measures intended to rectify a drafting error in the Off-Payroll legislation.

Identified in research carried out by IR35 Shield in October 2020, the initial legislative amendment broadened the definition of an 'intermediary' to the extent that umbrella companies fell within its scope.

The amendment threatened to render redundant the role of umbrella companies in many contractor supply chains. Concerns were also raised over the potential double taxation of contract earnings resulting from confusion over which party holds 'fee-payer' status.

"While we are obviously disappointed that the Off-Payroll rules are going ahead, we are delighted that Government has finally acted to fix the issue that we highlighted last October and offer some much-needed clarity to the situation," says Chaplin.

Self-employed tax review proposals overlooked

Notably absent from the latest Budget was any mention of plans to review taxation of the self-employed. The idea of a review was mooted earlier this week within the House of Commons Treasury Committee's '[Tax after coronavirus](#)' report, prompting concerns within the industry.

"For now, no news is good news for contractors, but that doesn't mean we shouldn't expect Government to act on the Treasury Committee's recommendations anytime soon," notes Chaplin. "The rhetoric is in full swing following this week's report, which posed the idea based on very dubious reasoning.

"Commentators are being lined up to complete the narrative, and Government will likely want to act sooner rather than later. We expect the Chancellor will want to raise taxes soon, so that he can lower them again just ahead of the next General Election in three-and-a-half years."

Published: 03 March 2021

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