

Budget 2019: Off-Payroll IR35 reforms to be extended to private sector in April 2020



Government sustained its attack on the self-employed by announcing plans to extend the draconian 'Off-Payroll' rules into the private sector in April 2020.

Speaking during the Budget speech this afternoon, the Chancellor described the measure as a means of tackling perceived high levels of non-compliance with IR35 among the self-employed, stating "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 made during the consultation, we will delay these changes until April 2020 and we will only apply them to large and medium-sized businesses."

Contractors buy more time to prevent disastrous change

The announcement will attract angry criticism throughout the contracting sector, with Government yet to conclude its analysis of responses to the 'Off-Payroll working in the private sector' consultation launched just last May.

However, UK plc will at least welcome a period of notice, while contractors can be buoyed by the fact that Government isn't seeking to implement change any sooner, as ContractorCalculator CEO, Dave Chaplin highlights:

"One of our key campaign goals was to prevent an April 2019 rollout of the rules and, to that extent, we and [everyone who has participated in our campaign so far](#) have succeeded. Contractors need to remember that nothing is yet set in stone, and there is plenty of time between now and April 2020 for irrefutable evidence to surface, which could finally convince Government that a private sector rollout would be a disastrous move.

"We intend to keep campaigning vigorously to bring an end to these ill-conceived rules, and encourage the rest of the contract sector to do support us in this."

Government fails to heed public sector warnings

However, Chaplin does admit that contractors may have their work cut out, with indications suggesting that Government is reluctant to listen to the sector's plight:

"It is still incredibly worrying that, in the face of strong opposition to the Off-Payroll rules, and with the consultation process yet to be concluded, the Chancellor has made this announcement."

Chaplin's comments carry weight. [Responses to HMRC's consultation](#) were littered with warnings of the unmanageable burden that the rules

would place on UK firms and the expected crippling impact on labour market flexibility. In addition to this, much evidence has been provided demonstrating the catastrophic impact that they have already had in the public sector.

And, with a proper assessment of the impact of the public sector changes on HMRC's tax yield impossible until company tax returns are processed in January 2019, Government runs the risk of further alienating a productive sector of the labour market for potentially little financial gain.

While the fiscal impact of the reform for the taxman is still unknown, one certainty is that a private sector rollout will prove incredibly costly for UK firms, as Chaplin highlights:

"For a Government that claims to be pro-business, this extra tax will slap an additional 10% onto the cost of hiring flexible workers for growing businesses that are unable to afford full-time workers."

Government urged to rethink 'premature' plans

As this Budget announcement has demonstrated, Government has heeded little from the contract sector in its efforts to reform IR35, leading Chaplin to question the taxman's influence on the measure:

"The Chancellor appears to have fallen for the misleading rhetoric emanating from HMRC and the Treasury on this matter, given the wealth of evidence showing that it poses a huge threat to the private sector."

Regardless, Chaplin urges Government to hold fire until the facts of the matter are known: "Any decision regarding Off-Payroll is premature until a full assessment of the public sector changes has been conducted, which can't happen until the middle of 2019. By then, we expect to see evidence of raised costs and damage to the public sector, effectively resulting in a net loss.

"Once the facts are revealed, I expect Government will realise it made a mistake, prevent an extension to the private sector, and focus on patching up the damage that has been done to the public sector."

How to test your IR35 status

If you are worried about your IR35 status then take [our free online IR35 test](#).

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