

The impact of the
IR35 reform on
professional services

What is the market response
this time around?

IR35 – Change to the Off-Payroll rules (2021)

After two years of preparing for the legislation, which was due 6th April 2020, the government confirmed that the tax legislation will now go ahead from 6th April 2021.

Under the new legislation, businesses will not have to pay penalties for inaccuracies in the first 12 months relating to the off-payroll working rules, regardless of when the inaccuracies are identified, unless there's evidence of deliberate non-compliance.

YOU NEED TO PREPARE FOR THE CHANGES IF YOU ARE:

- A medium or large sized non-public sector organisation which engages contractors who work through their own intermediary.
- An employment agency which supplies contractors who work through their own intermediary.
- A contractor who provides services through your own limited company or other intermediary.

CHANGES MADE TO THE OFF-PAYROLL REGULATIONS:

Regulation	Change since 2021
Implementation Date	The implementation date was changed from 6 April 2020 to 6 April 2021 to reflect the delay to the reform.
97LF – End of relevant period	The time period in which HMRC can issue a recovery notice has been reduced from 24 months to 12 months.
97LG	Recovery notices will include the details of the deemed employees so that the agency or client can know the worker to whom the debt relates.
Various throughout	Simplification of language where possible

INTERNATIONAL CONTRACTING:

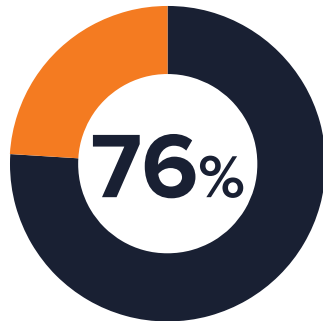
For International contractors who are operating via a UK registered Limited Company but are working overseas for a UK client, the end client is still responsible for providing the IR35 status determination for that assignment and must share the determination throughout the supply chain.

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IGA Talent Solutions surveyed the professional services contract market to understand the view of contractors on the latest reforms and the response from end-clients across the market.

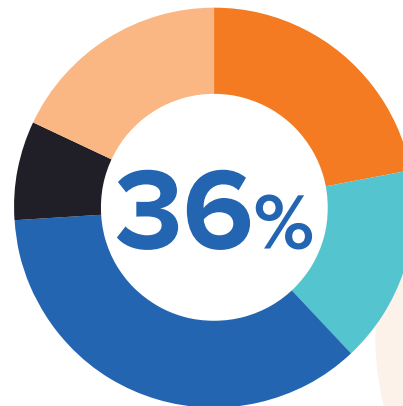
1. Are you stressed or worried about the upcoming changes to IR35?

76% Yes
24% No



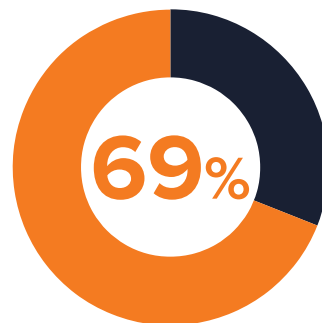
2. Have you been informed of your new IR35 status by your end client and what has been the result?

22% Yes - assignment is Inside
16% Yes - assignment is Outside
36% No - we haven't started assessments yet
8% Currently making assessments
18% My client will not consider LTD company contractors



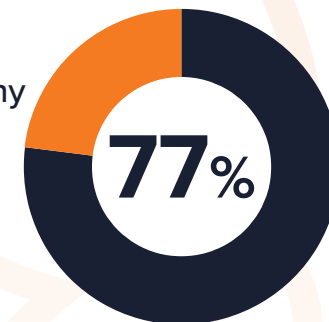
3. Do you believe the CEST tool to be an accurate and fair assessment tool?

31% Yes
69% No



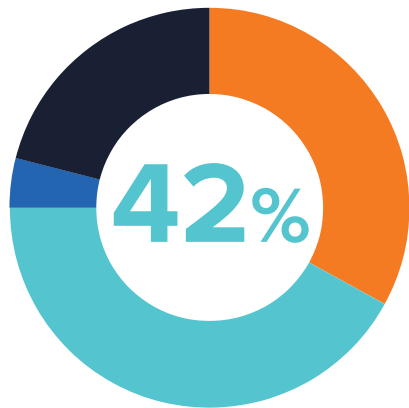
4. Beyond the CEST tool, have you or your end client used any other forms of assessment

77% Yes
23% No



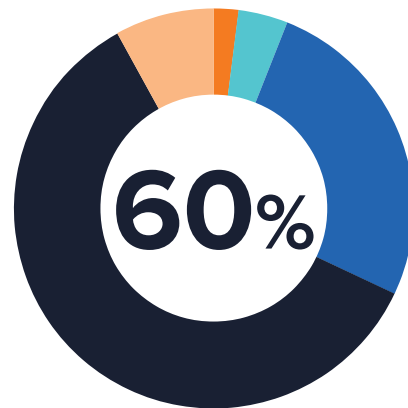
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5. What is your personal plan in terms of future employment due to the IR35 changes?



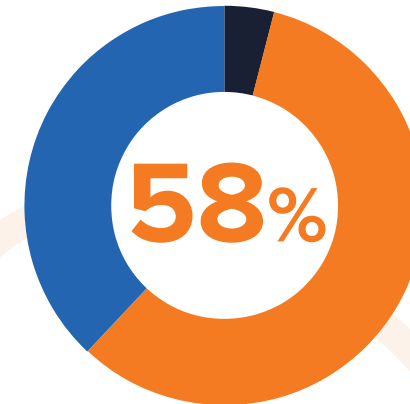
- 33%** Continue as a contractor and only take projects outside of IR35
- 42%** Continue as a contractor and work on both inside and outside contracts
- 4%** I am happy to work inside IR35
- 21%** Leave contracting and take up permanent employment

6. What impact do you think the reforms will have on organisations in your sector delivering on key projects?



- 2%** Extremely positive impact
- 4%** Positive impact
- 26%** Negative impact
- 60%** Extremely negative impact
- 8%** Neutral

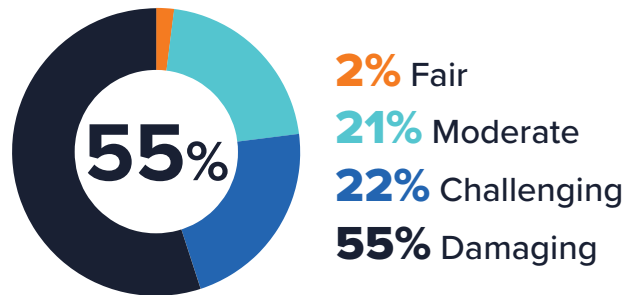
7. Do you believe your end client to be making fair and sensible decisions around the reforms?



- 4%** Yes
- 58%** No
- 38%** Cannot say

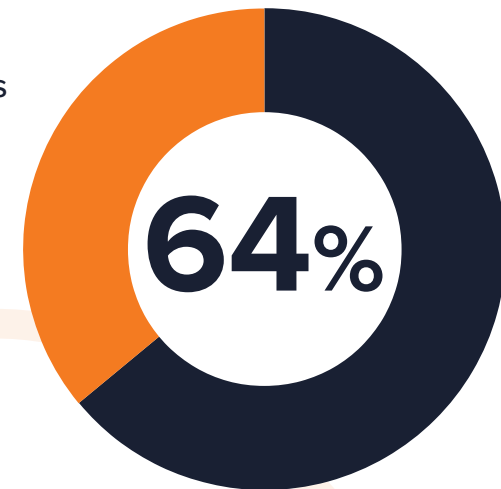
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8. How would you rate the financial impact of the IR35 reforms to your earnings?

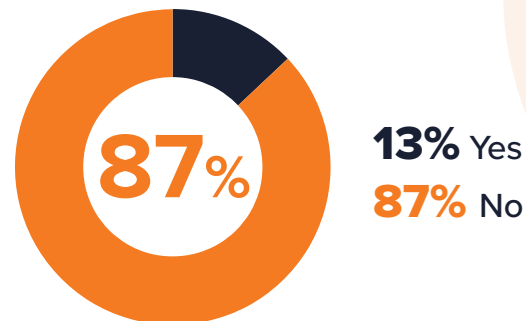


9. Do you think that your clients response to IR35 will have a damaging effect to their reputation in the industry?

64% Yes
36% No



10. As a contractor, do you believe that you have been given the right support and guidance from either trade bodies/ HMRC/agency/end client about the change in Off-Payroll rules?



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“Those firms doing fair assessments will take the cream”

“I agree that IR35 should be in place for positions that could be filled by permanent staff. However, there are various roles that contractors should fill that do not form part of BAU work i.e. transformation programmes. These roles are temporary and so contractors require higher take home pay to cover their down time between projects”

“Several contractors have informed the client of their intention to leave. They are also struggling to recruit new talent”