What is IR35?

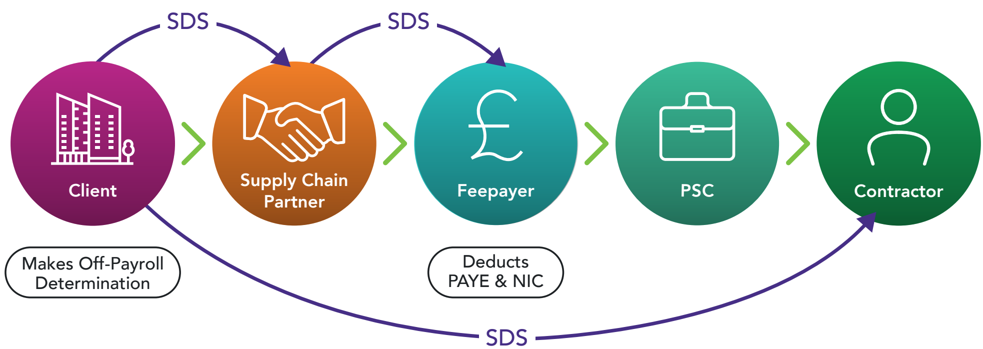
The off-payroll working rules or IR35 as it's more commonly known, are being extended into the private sector from 6 April 2021.

The new rules require clients and end-users of contractors working through personal service companies (PSCs) to assess whether they work like employees, regardless of the structure they work through.

If the contractor is deemed to be 'inside-IR35', they are required to pay largely the same tax and National Insurance (NI) as employees.

In this case, the entity nearest the PSC (the fee-payer) is responsible for making PAYE and NI deductions, and paying them over to HMRC.

A typical IR35 supply chain could look something like this:



SDS = Status Determination Statement

Flow of payment

If you don't identify whether IR35 applies, you risk:

- Significant fines
- Delays to critical projects due to loss of resource
- Disruption to your supply chain if contractors are engaged incorrectly

Key Points

- The PSC will no longer be responsible for determining if IR35 applies
- The new rules apply from 6 April 2021 onwards
- End-users and clients must assess IR35 status for each engagement, ensuring they take reasonable care in doing so
- End-user and clients must put in place a status determination disagreement process
- If 'inside-IR35' the fee-payer must deduct tax and NI before paying the PSC
- HMRC can pass tax liability up the supply chain if the rules are not followed with reasonable care

Are you ready for IR35?

If you'd like to speak to one of our expert compliance team about how Indigo can help, email us

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