

Insights

OFF-PAYROLL WORKING RULES TO BE REPEALED FROM APRIL 2023

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SUMMARY

In its Growth Plan 2022 published today, the Government confirmed that the 2017 and 2021 reforms to the off-payroll working rules, also known as IR35, are due to be repealed from 6 April 2023. The Growth Plan is intended to set out first steps in taking complexity out of the tax system. This has come as good news to many, as the rules have been subject to widespread criticism from contractors and businesses.

IR35 applies where an individual personally provides services to a client through an intermediary, typically a personal service company ("PSC"), and, in substance, the relationship would be one of employer/employee if the intermediary was not involved. Where the rules apply, a deemed employment payment is treated as made to the individual, which will be subject to tax as employment income and employer/employee National Insurance Contributions ("NICs"). The 2017 and 2021 reforms shifted responsibility for determining whether an engagement was of such a nature to the end client, with the burden of operating PAYE and collecting National Insurance Contributions ("NICs") falling on the relevant "fee payer" in the work supply chain.

In his Growth Plan 2022 speech, which was also delivered today, Kwasi Kwarteng criticised the off-payroll working rules as having added "unnecessary complexity and cost for many businesses".

What does this mean going forwards?

Essentially, the position will revert to that in place prior to the introduction of the off-payroll working rules in both the public and private sectors. From 6 April 2023, workers across the UK providing their services via an intermediary such as a personal service company will once again be responsible for determining their employment status and paying the appropriate amount of tax and NICs.

The intended benefits mentioned in the Growth Plan are:

1. freeing up time and money for businesses that engage contractors; and

2. minimising the risk that genuinely self-employed workers are impacted by the off-payroll working rules.

Businesses should review their agreements relating to contractor engagements ahead of the planned changes coming into effect.

This article was co-written with Trainee Solicitor – Apprentice Ellie Serridge.

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