

Government to help businesses with off-payroll working rules

- new initiatives will support businesses and individuals as the changes come in
- HMRC will take a light touch approach towards penalties, except in cases of deliberate non-compliance

The government has today announced a package of measures designed to support the roll out of off-payroll working rules.

The rules, which already apply to the public sector and ensure two people sitting side by side doing the same work for the same employer are taxed in the same way, will come into effect on 6 April 2020. The government is confirming its intention to proceed with the reforms today.

After engaging with stakeholders including businesses, tax professionals and contractor representatives, the government has today published its review into the rules and announced a series of measures to address concerns and ensure the smooth implementation of off-payroll working rules. Under the measures:

- businesses will not have to pay penalties for inaccuracies in the first year, except in cases of deliberate non-compliance
- [detailed guidance](#) on the reforms has been published by HMRC
- HMRC will ramp up its communications efforts, including webinars and guides, to support contractors' understanding of the rules. This will complement the significant work already in train to support businesses to prepare
- the government reiterates that new information from the changes will not be used to open investigations into Personal Service Companies (PSC) for past tax years, unless fraud or criminal behaviour is suspected

Financial Secretary to the Treasury Jesse Norman said:

It is only right that the off-payroll rules are applied consistently across all sectors. Two people sitting side by side doing the same work for the same employer should be taxed in the same way.

Following a review the government is announcing a package of measures to help individuals and businesses implement these changes smoothly.

The government will also introduce a legal obligation on organisations to respond to requested information about their size from the agency or worker, to make it clearer who is responsible for determining the worker's tax status.

The government values the vital role that the self-employed have in the UK labour market. The rules only apply to individuals who are working like employees under the current employment status tests, and do not apply to the self-employed. The government is also committed to ensuring that businesses can still design their workforces that makes most sense to them.

Off-payroll working rules, known as IR35, were introduced in 2000 to ensure that someone working like an employee, but through a company, pays similar taxes to other employees. The cost to the Exchequer of non-compliance with off-payroll working rules is estimated to reach £1.3 billion a year by 2023-24, depriving public services of vital funds.

The reforms, announced in the 2018 Budget, are designed to tackle non-compliance with the off-payroll working rules by making medium and large organisations in the private and third sectors responsible for determining the tax status of contractors and ensuring that the right employment taxes are paid. The reforms have previously been implemented in the public sector.

Further notes

- as part of the review, the government held a series of roundtables with stakeholders representative of those affected by the reform, including contractor groups and medium and large-sized businesses, to understand how the government can ensure smooth implementation of the reforms
- the government announced in the 2018 Budget that small businesses are exempt from the reforms
- the government carried out further internal analysis, including evaluation of the enhanced Check employment status for tax (CEST) tool and public sector bodies' experience of implementing the reform to the off-payroll working rules in 2017