

LAW & POLICY GROUP | [GRIST](#)

UK SEEKS INPUT ON OFF-PAYROLL WORKING RULES FOR PRIVATE SECTOR

*By Mercer's Fiona Webster and Stephanie Rosseau
28 Mar 2019*

A government [consultation](#) on how the UK's "IR35" off-payroll working rules will operate for the private sector from 6 April 2020 is open through 28 May 2019. The new rules will make private sector organizations liable for determining the tax status of contractors who work through personal service companies (PSC) and ensuring that the correct amount of tax is paid. The consultation follows a 2018 consultation on options for addressing noncompliance in the private sector.

Under IR35, people providing services through PSCs must pay employment taxes if they would otherwise have been classified as an employee of the engaging business. Currently, the PSCs — not the engaging business — are responsible for deciding if any taxes are due. The public sector has been subject to revised off-payroll rules since April 2017. The extension of off-payroll employment tax rules to the private sector, featured in Budget 2018, will apply to all but the smallest companies from 6 Apr 2020. Final legislative proposals will apply to private sector organizations and the public sector — and could be included in the finance bill to be published in summer 2019.

The new rules, which use the public sector IR35 rules as a starting point, would:

- Require a business engaging a contractor to make a determination about the contractor's employment status and communicate it to all parties within the labor supply chain (including the contractor)
- Require the entity that pays the PSC to deduct income tax and National Insurance Contributions (NICs) and pay employer NICs.

The consultation recommends that businesses start to identify their use of off-payroll workers and review their HR procedures, on-boarding processes and payroll software.

RELATED RESOURCES

- [Off-Payroll Working Rules from April 2020](#) (UK government, 5 Mar 2019)

Note: Mercer is not engaged in the practice of law, accounting or medicine. Any commentary in this article does not constitute and is not a substitute for legal, tax or medical advice. Readers of this article should consult a legal, tax or medical expert for advice on those matters.