

Getting on with IR35: All doom and gloom ahead?



With the recent application changes to IR35 in the public sector, **now is the time** to ensure you **understand** the potential impact for your company and your contracts.

Alongside breakdowns of the legislation, we take a look at the effects of the current climate on the contracting and consultancy markets.





An introduction to IR35

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If you've been keeping up with the latest contractor and consultancy news you've probably noticed that the hot topic of conversation at the moment is IR35 and the recent public sector changes. But what exactly is IR35? This guide will look at IR35 in detail and try to clear up some of the complexities.

As a contractor, freelancer or small business, it's important to have an awareness and understanding of IR35 to ensure that you are paying the correct amount of tax and National Insurance. It's a complex subject and it can be difficult to self-assess your status under IR35 rules. In this guide we'll be analysing IR35, breaking down the complicated subject into easy to understand and manageable pieces and taking a look at how it's likely to impact the future of independent professionals.

IR35 is here to stay

Currently, in the contracting world, IR35 is talked about in panic-stricken voices. You'll often see headlines like 'is this the death of the contracting industry'? Well, we certainly don't think it is.

So, what is IR35?

IR35 is an initiative designed to combat tax dodging. More specifically, it was HMRC's response to a growing number of employees leaving their permanent roles, setting up their own businesses and then returning to perform their old role as a contractor. Thus avoiding paying tax and National Insurance at higher rates. IR35, or the Intermediaries Legislation, is a group of legislation within the Social Security Contributions (Intermediaries) Regulations 2000 and the Finance Act in 2000 (Schedule 12). It aims to ensure contractors working as 'disguised employees' and their employers pay the same level of tax and National Insurance as employees.

What does this mean for me?

Put simply, your IR35 status (which can vary from contract to contract) determines your tax position with HMRC. It's important to understand the definition and your personal risk of being defined as a 'disguised employee' for each contract you undertake. IR35 runs across every business sector and specialism.

IR35 and the public sector

One of the new changes, that you've probably heard about, is change to how IR35 is applied in the public sector. This has significant implications for independent professionals working for a public sector organisation. The 'public sector' is defined by the Freedom of Information Act (2000), it includes broadly any government body such as a local council, the NHS, Ministry of Defence, the BBC, higher education institutes, fire services as well as many, many others.

As of April 2017, the requirement for effectively applying PAYE and National Insurance Contributions (NICs) will pass from the independent professional to the public sector engager or sourcing agency. Public bodies will now need to decide if they are engaging a contractor that is legitimately self-employed or whether they should be subject to PAYE and NICs like any other employee. The rules used to determine if IR35 applies to a contract remain unchanged.

With public bodies now being responsible for this call, decisions on IR35 are more likely to be risk averse. Meaning many contractors will be brought inside IR35, which will likely impact their tax bills and status.

IR35 and the private sector

In the private sector, however, independent professionals remain responsible for deciding if IR35 applies to the contract with their employer. Contractors and consultants are responsible for paying the correct levels of tax and National Insurance.

There are a lot of factors that are assessed to determine whether you are operating outside IR35 (as a truly self-employed contractor) or inside IR35 (as a disguised employee) and it can vary from contract to contract. HMRC have introduced an Employment Status Service (ESS)/ Check Employment Status for Tax (CEST) tool (please be aware that there is some controversy surrounding the shortcomings of this tool). This service can be used to find out if you should be classed as employed or self-employed for tax purposes. You can also use HMRC's Contract Review Service.

Should I avoid IR35 contracts?

Not necessarily. There is nothing wrong with operating inside IR35 so long as you pay the correct levels of tax and NI. With inniAccounts, it's easy to manage any contracts you have both inside and outside of IR35.

Be prepared

Remember, the influence you have when negotiating contracts is not just about your rate, but also the contractual terms. If you are offered a contract deemed by the end client to be inside IR35, or you are unsure of your contract status, continue to seek professional advice from experts in IR35 such as The Law Place. This will help prevent being falsely identified as an employee, and they can help identify alternative terms to remain outside the legislation.

It is inevitable that some contracts will be inside IR35. Should you be in a position where one of yours is, features built into our software to support IR35 make running your business and getting paid even easier. As with all dealings with regulatory and financial bodies, great record keeping and scrupulous collection of evidence is the best way to ensure that should your status come under scrutiny; you'll have everything at your fingertips.

To help you understand the impact of IR35 on your income we've created a handy IR35 calculator, visit inni.to/ir35-calculator.



IR35: All doom and gloom?

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IR35 is easily one of the most hated pieces of legislation introduced for independent professionals. It's long been considered a thorn in the side of contractors and consultants. With recent changes to the application of IR35 in the public sector, many consider it a direct attack on their ability to retain profits and grow a business. But is it all doom and gloom for contractors and consultants here on out? We certainly don't think so.

Currently, in the contracting world, IR35 is often spoken about in panic-stricken voices and considered a point to avoid at all costs. While the new application of IR35 in the public sector will see changes, it certainly won't bring a stop to the contracting and consultancy industries in either the private or public sector. Neither is it a point of dread if you find yourself with the odd contract within IR35. Equipped with the right knowledge and software, handling IR35 is an easy process that needs not hugely impact your business.

IR35 is here to stay

With the recent election results and continued Brexit uncertainties, it seems unlikely that IR35 will face any further application changes anytime soon. Nevertheless, budget announcements over the last few years have shown the Government's clear intent to clamp down on those who use contracting merely as a tax-avoiding technique. We expect to see more and more of these measures in the future. It seems likely that as we've seen IR35's application in the public sector change, we'll eventually see similar changes in the private sector.

Does this spell the end for contracting (especially in the public sector)? Definitely not. While having a contract inside IR35 can bring complications, limit claimable expenses and increased tax implications, so long as you're paying the correct levels of tax and National Insurance, there is nothing wrong with operating inside IR35. For those of us who have made the move to contracting as a lifestyle choice; one that offers more flexibility, reward, work/life balance and access to unique or specialist projects, IR35 is a small change that can easily be managed.

A proactive stance

Here at inniHQ, we always try to take a more proactive and positive stance on developments in our field, rather than embracing a doom and gloom rhetoric. There's no denying, that for those independent professionals who suddenly find themselves inside IR35, they will likely be facing a change in their tax bill and tax status. However, contracting has never been an avenue for those just wishing to escape taxes and while IR35 will provide changes – there's still plenty of money to be made in contracting (even within the public sector) as well as a swathe of positive lifestyle changes.

So, while IR35 is here to stay and yes may result in independent professionals paying more tax, it certainly doesn't dull any of the pros of contracting and won't see the industry die a death. Remember, the influence you have when negotiating contracts can concern both your rate and your contractual terms. IR35 shouldn't be a point that makes you turn down potential clients, contracts and work you're interested in completing. With inniAccounts it's easy to manage any contracts you have both inside and outside of IR35.

Inside IR35, a limited company remains the safest and most flexible way to provide services as an independent professional. Continuing to trade as a limited company with no additional intermediaries in the contractual supply chain, means you always remain prepared to accept future contracts irrespective of their IR35 status.

How we can help

While the majority of your contracts will still be outside of IR35 you may now find yourself with the odd one or two inside. Should you be in a position where one of yours is there's no need to panic, features built into our software to support IR35 make running your business and getting paid even easier.

For those of us who have made the move to contracting as a lifestyle choice; one that offers more flexibility, reward, work/life balance and access to unique or specialist projects, IR35 is a small change that can be easily managed.



Limited company or umbrella? What's the best option for you?

Limited company or umbrella? What's the best option for you?

Umbrella companies have been firmly in the news as of late – from Jeremy Corbyn's labour party manifesto pledging to ban 'payroll companies sometimes known as umbrella companies' through to Unite's (the UK's largest union) recent call on the NHS to outlaw 'parasitic' brollies.

Following the IR35 application changes in the public sector, our conversations with recruitment agencies and public sector parties has shown a shift in their recommendations to contractors. Many now appear to be applying pressure for contractors to jump ship from their limited company into the conglomerate of an umbrella. We're not alone in our findings. A survey of more than 1,500 contractors by ContractorCalculator found that of the contractors who chose to leave the public sector after the IR35 application reforms came in, 17% did so after being told to use an umbrella company.

But are these requests in the best interests of independent professionals?
Or the result of knee-jerk, risk averse reactions?

We take a look at the reasons why your limited company remains the best option for you.

What's the difference?

'The majority of contractors work through their own limited companies for a reason. The tax advantages of working this way outweigh any other compliant method and you remain in control of your own finances. Umbrella companies offer higher risk and lower tax efficiency than limited company operation.'

Rowena Barnwell, FCCA – inniAccounts Director of Client Services

Limited companies

Simply put, with a limited company you are the director of your own private company. You have complete autonomy of how you work and who you work with. As a director you are fully in control of your own business and its financial affairs – this allows for greater opportunities for tax planning including drawing dividends, claiming expenses and making pension contributions. The downside? While you have the pros of being a director, you also have the additional responsibilities to HMRC and Companies House; which of course includes paperwork and financial management. This problem is easily solved however by appointing a specialised contractor accountant – which typically costs a set monthly fee equating to around £1200 a year.

Umbrella companies

When you join an umbrella company, you effectively become an employee of that corporation. You'll receive a salary that has been subject to PAYE tax and National Insurance. The fact your payments are being handled by a second party naturally introduces a level of risk; as you are reliant on the umbrella collecting money from your client or agent and using it to pay you.

Most reputable umbrella companies cost around £30 a week (£1,500 annually). However, there are usually additional costs associated. Services levied by umbrella companies can reach as much as 9% of the value of a contract, and many insist on contractors agreeing to a minimum level of charging or billable time; meaning the price can fluctuate (unlike accountancy fees which use set prices regardless of turnover). The benefits? Your financial affairs are handled by the umbrella; so there's less paperwork and financial management. Most weeks you'll merely be submitting a timesheet, and the company will manage the rest. However, this means you're missing out on any tax planning opportunities.

Take home pay

Assuming all your contract work is outside IR35 and your annual gross contracting income is around £55000 (with £1200 spent on either accounting fees or umbrella services). Your typical annual take home pay from an umbrella company will be around 65% of your income. With a limited company, this increases to approximately 76% – this is before you even begin to factor in expenses, pension contributions and the many other tax planning benefits available to limited companies.

What about inside IR35? Or when working with the public sector in general?

It's important to remember that working in the public sector doesn't necessarily mean your contract will be inside IR35 (several of our own clients have contracts with HMRC that are outside IR35). HMRC specifies that public authorities must assess their contracts on a case by case basis and not mandate IR35 across the organisation or insist that everyone uses an umbrella company. Unfortunately, this wasn't necessarily the case following the introduction of the changes.

'Knee-jerk reactions and blanket bans'

'When the public sector changes came in April the onus shifted from the contractor to the end client, many of whom were purchasing teams in public sector bodies with little understanding of IR35 and the extra processes involved. Many saw the new obligations and tax risks and resorted to short-sighted blanket bans. Such as the NHS deeming all contractors automatically inside IR35 and stipulations that all contractors have to be in an umbrella company.

These knee-jerk reactions were bad for everyone and unfortunately either saw contractors shifting to umbrella corporations as they were told or sticking with what was best for them and voting with their feet by leaving the public sector. Thankfully most of these decisions have now been repealed. Public authorities, like the NHS, will be examining contractors on a case by case basis as intended. But there remains plenty of misinformation both within the public sector and with contractors.'

James Poyser – CEO of inniAccounts

So why were public bodies and recruiters trying to push contractors towards umbrellas? In short, IR35 doesn't impact umbrella companies. Contractors in umbrellas will already have PAYE tax and National Insurance deducted from their salaries; as if they were a standard employee. It's clear why this would appeal to in-house purchasing teams and recruiters. Instead of having to assess IR35, make the necessary deductions if required and have a potential tax risk if mistakes are made, umbrella companies simply remove this additional requirement. It's a simple and risk averse approach. The problem? It assumes a one-size-fits-all approach that leaves many contractors out of pocket.

Take home pay

Assuming all your contract work is inside IR35 and your annual gross contracting income is around £55000 (with £1200 spent on either accounting fees or umbrella services). Your limited company take home will decrease to approximately 61%. As such, you may find there are marginal gains from working through an umbrella. However, if only half of your income comes from contracts inside IR35 your limited company take home increases to approximately 69% – not including the many tax planning benefits available to limited companies.

For those independent professionals whose contracts are not permanently inside IR35, a limited company outweighs the benefits of an umbrella. As well as remaining more tax-efficient, a limited company allows you to keep risk-free control over your business and to flexibly accept contracts both within the public and private sector; outside or inside IR35. Converting to an umbrella company would mean that any future work you undertake outside IR35 would leave you significantly out of pocket. The fairly negligible percentage difference even for those who predominantly work inside IR35 may also not be worth the higher risk associated with umbrellas or losing out on many of the attractive incentives a limited company still offers (such as being in complete control of your own time and work choices).

The rise of non-compliant umbrellas

Confusion around the public sector changes and the following risk averse reactions have unfortunately seen a rise in 'dodgy' non-compliant umbrella companies. The Freelancer and Contractor Services Association (FCSA) claimed 'We warned HMRC that this would happen. Contractors are always looking for the best deal, and many are being enticed by umbrellas promising a high return on their income.' Many umbrella schemes are promising unrealistic tax savings. Here at inni, we'd advise the age old adage – if it appears too good to be true, it probably is. On the other hand, some umbrellas are taking far larger cuts than contractors were originally expecting. Unite's recent attack on umbrellas stems from its claim that contractors in the NHS are losing '46 pence in the pound of eligible earnings'.

While not quite to the extent of the Labour party's banning intentions in their manifesto, umbrella companies haven't historically had a fan base with the conservative government. When looking ahead, it's worth noting that they'll likely see further clampdowns.

We firmly believe that limited companies remain the best option for contractors, but if you do decide to make the change to an umbrella, we'd advise doing your homework to ensure they're compliant.

Staying limited

As an independent professional, it's important to continually assess the options that best suit you. The IR35 public sector application changes and the initial reaction from public sector bodies has seen wide spread discussion and growth of umbrella companies. Confusion and misinformation are still rife whenever talk of IR35 is raised. This has unfortunately seen a rise in bad practices from both the public sector and umbrella companies.

While umbrellas remove any question of the 'dreaded' IR35, for many contractors (especially those who only occasionally work inside IR35), they simply can't compare to having your own limited company. Limited companies remain the most viable option for keeping control of your day to day business, managing your finances and returning home with more in your pocket; all while easily remaining compliant with HMRC with the help of your specialist accountant. The tax advantages of working this way continue to outweigh any other method.

So, what can we as contractors do to stop the spread of misinformation?

First and foremost, we can help to educate our clients; ensuring appropriate and accurate IR35 decisions are made going forward.



The future of public sector contracting

The future of public sector contracting

The IR35 application changes have provoked debate aplenty over the future of contractors in the public sector. Many prestigious parties have suggested these reforms would provoke a ‘mass exodus’ from the field. Here, we take a look at the current impacts and future outlook for independent professionals.

By introducing the IR35 application changes, HMRC were hoping that the public sector would effectively self-regulate IR35. Since April there’s been significant confusion over how the changes would be implemented by public sector organisations. Especially as many of them remained woefully unsure of their compliance requirements. As public sector bodies and agencies faced significant liabilities, many chose to take rash risk-averse measures when it came to determining a contractor’s IR35 status.

ContractorCalculator’s survey certainly seems to suggest an exodus was underway. With 76% of public sector departments losing highly skilled contractors (61% citing their reason for leaving as refusal to work under IR35). Their findings also hint at delays and cancelled projects as contractors seemed to turn their backs on the public sector in favour of the private. On the opposite side of the fence, HMRC have been quick to dismiss these findings, stating they’ve seen no evidence of ‘a drift from the public sector’ and suggesting ContractorCalculator’s results are from an unrepresentative and disproportionate sample.

Certainly, it seems inevitable that the public sectors draconian blanket bans would have seen contractors voting with their feet and walking away. Thankfully, the majority of these decisions have since been overturned; with culprits such as the NHS and TFL releasing statements that they’d now be carrying out IR35 decisions on a case-by-case basis (as mandated by HMRC).

‘Unlike the private sector which is naturally capitalistic and will always take a (sometimes too) optimistic approach, the public sector is risk-averse. It was no true surprise that they’d don black-hat thinking and make shortsighted decisions to protect their liability. They’ll now be seeing that in order to continue sourcing the best talent, they need to be making well-informed and accurate decisions about IR35. Contractor’s have a vital role to play in facilitating understanding in both sectors.’

James Poyser – CEO of inniAccounts

'Informed and accurate IR35 decisions'

It's important to remember that taking a public sector contract doesn't automatically mean you'll be working inside IR35. Now the initial panicked reactions have settled down, should your contracts have previously been correctly outside IR35, they should remain so. Expert tax advisors Qdos Contractor, reported that 89% of public sector contractors have 'passed' their rigorous IR35 assessments since April (meaning their contracts were outside IR35). Here at inni, we have several clients who have contracts outside of IR35 with HMRC who have reported no fundamental changes in their renewed contracts.

When it comes to taking contracts within the public sector the main issue that remains is the lack of understanding and experience of those now making the assessments. As a community, contractors can help to facilitate this change by supporting public sector engagers to take the right measures.

'Contractors now need to be pushing for fair assessment of their IR35 status, not just accepting an inside verdict from a needlessly risk-averse public sector procurement team. Using an independent firm, to assess your contract's IR35 status provides peace of mind for everyone involved.'

James Poyser – CEO of inniAccounts

The chances are that you know far more about IR35 than your end-client. With a firm understanding of IR35, contractors can help to educate their clients; ensuring public sector bodies are making well-informed decisions. By understanding how to discuss and test the status of your contracts appropriately, you can hold open conversations and negotiations to ensure you're both being correctly assessed and are working to the best-suited contract possible.

The chances are that you know far more
about IR35 than your end-client...

The benefits of the public sector

The public sector will continue to have a wealth of interesting, appealing and socially rewarding contracts, often without the cut-throat atmosphere that can come with big competitive private businesses. There's no denying that the sector has seen a huge increase in demand for temporary and contractor staff (which sits at its highest point since July 2015). Skill shortages remain prolific, especially for the likes of cybersecurity specialists following recent high-profile attacks. There will long be significant demand and need for contractors in the public sector.

Regardless of any tax reforms, self-employment remains as popular as ever – increasing over the last year by 148,000 to 4.80 million (that's 15% of the workforce). A study by the McKinsey Global Institute also found that 97% of contractors are much happier than their permanently employed counterparts. This certainly tallies with what we hear from our own clients who see contracting as the best route to a higher income, more creativity and control in their work and a better work/life balance. As the incentives of becoming an independent professional remain and competition continues to rise, public sector contracts are not to be sniffed at. Especially when successful negotiation and open conversations could ensure your contract is outside IR35.

Why make the extra effort when I could just go private?

Well, firstly you'll be able to secure that attractive public sector contract your competition will be overlooking. Secondly, retreating solely to the private sector is unlikely to provide a long-term solution. 48% of contractors say they are concerned that the public sector application changes will soon be rolled out to the private sector. We're inclined to agree and suspect we'll see these changes in place by 2019. Whether you're working in the public or private sector you'll soon need to know how to discuss IR35 and negotiate your contracts with your clients and agent. So why not beat the competition while they're still panicking?

Facilitating change

When it comes to the future of contracting in the public sector the picture is nowhere near as bleak as some might be painting. While we initially saw teething problems in the form of rash blanket bans, as the dust begins to settle public sector authorities will be looking to retain their access to the wider talent market.

Going forward the challenge lies in ensuring public sector bodies are making accurate and educated decisions when it comes to assessing the employment status of their independent workforce; an area most will be woefully uneducated in. Contractors can help to facilitate this change by having informed, open discussions with our clients.

IR35 is here to stay, and we'll likely soon see the public sector application changes applied to the private sector. As a contractor, you need to know how these changes impact you and how to successfully discuss the subject with your client or agent.

Not only will this help to negotiate the best contract for you, it will also set you miles ahead of the competition.



IR35: Four ways to facilitate a conversation with your client/agent

IR35: Four ways to facilitate a conversation with your client/agent

According to IPSE's Freelancer Confidence Index, 59% of contractors are wary of the economic conditions ahead – including significant concerns over application changes to IR35 in the public (off-payroll working rules) and, at a later date potentially, private sector. But this needn't be the case. With a firm understanding of IR35, you can hold open conversations and negotiate your contracts to ensure you're getting what's best for you.

We've evaluated the rash reactions of the public sector to April's reforms. Now, as the dust begins to settle, the public sector is on the lookout to retain their access to the wider talent market. The challenge lies in ensuring they're making accurate and well-informed decisions when it comes to assessing the employment status of independent professionals.

'Now the responsibility for deciding a contractor's status often lies with public sector purchasing departments, they need to be making educated decisions about IR35. Unfortunately, they're arguably not in the best place to do that. Most will have limited visibility of how contractors work and won't have a full understanding of IR35. Many will still be taking a risk-averse stance and automatically placing contractors inside IR35. Independent professionals are likely to know more about IR35 than the majority of their clients. They need to be pushing back against inaccurate decisions and helping to educate.'

James Poyser – CEO of inniAccounts

By having an open and upfront conversation with your agent or end-client, you can help them to make informed IR35 decisions. Understanding how to discuss and appropriately test your contracts lets you ensure you're being correctly assessed, and working to the best-suited contract possible.

Future-proofing for IR35

By ensuring you're capable of holding these conversations, not only do you improve your access and situation in public sector contracts, you're also future-proofing yourself against any further changes. The public sector changes are currently being heralded as a success by HMRC (though most in the contracting world aren't so quick to agree). This, will provide the Treasury with a compelling argument to expand the changes to the private sector; where an even higher tax yield is expected. Ensuring you're capable of navigating your IR35 status is a competitive edge well worth having.

So you've found a project, you've had the interview, and you're ready to discuss your potential new contract, where do you begin?

1. Get to know IR35

First and foremost, to be able to successfully and confidently hold these conversations, you need to have an awareness and understanding of IR35. Thankfully, while the way IR35 is applied has changed in the public sector, the rules that determine its application have not. Key indicators of IR35 such as supervision, direction and control in your contracts, rights to substitution, mutuality of obligations and right to immediate dismissal all remain unchanged. All these elements will form an integral part of your contract and working practices.

With a firm understanding of how your employment status is determined, you should be able to enter most negotiations with an idea of whether the contract is likely to be inside IR35 or not.

2. Independently assess your IR35 status

In a recent survey, 51% of the contributing contractors felt their clients did not have access to the tools or expertise necessary to make a correct IR35 determination.

'IR35 assessments should be a detailed and informed process that involves all applicable parties. An independent specialist can help to ensure your public sector engager is making accurate decisions.'

James Poyser – CEO of inniAccounts

By having a firm understanding of IR35, you'll likely already have an idea of when a contract should be outside/inside IR35. If your agency or client disagrees or remains uncertain, you can always suggest the engagement of an independent specialist to assess your contract's IR35 status; providing peace of mind and certainty for all parties. Specialists, have carried out several thousand assessments on behalf of numerous public sector bodies and agencies. They recently reported that 89% of public sector contractors have 'passed' their rigorous IR35 assessment (deeming them outside IR35).

HMRC's Employment Status Service (ESS)/ Check Employment Status for Tax (CEST) tool

HMRC have supplied an online tool to help public bodies determine the IR35 status of independent professionals. It's worth noting however that this tool has been widely criticised as 'not fit for purpose'. 43% of APSCO's members feel that 'the HMRC tool does not generally produce reasonable status decisions in light of the factual realities of placements'. Industry experts have also confirmed that it often fails to align with previous case law. Alongside this tool, we'd recommend contractors push for the use of an independent specialist or at least a more accurate tool such as Contractor Calculator's IR35 status test.

3. Negotiate your contracts

When it comes to negotiating contracts, remember that you can influence both your rate and your contractual terms.

'When faced with an appealing contract it can be tempting to jump straight in. But, it's ultimately up to you to ensure contracts are working in your best interests. Negotiation skills are crucial to ensuring the contract meets your needs as a contractor. If you don't agree with certain terms you'll need to have them removed or amended. This is especially true when it comes to managing your IR35 status with clients who might already be erring on the side of caution.'

Matt Poyser –Co-founder of inniAccounts & Director of Customer Experience

Should you receive a contract that would place you inside IR35, you may want to consider how the terms of the contract and working practices could be changed, and engage with the public sector authority or your agent to change or review them as appropriate. Should you find the terms suit the project or your client proves unwilling to budge on the matter, you can always try to negotiate for an increase in your rate. Our handy IR35 calculator can help you to see how an inside status would impact your take-home pay. Simply visit inni.to/ir35-calculator.

4. Evaluate what it means to you

So, the project looks ideal; it's the perfect time length and exactly the type of thing you'd like to be working on. The catch? The contract would place you inside IR35, and no amount of negotiation over your terms or independent assessment would see that changed. You'll now need to ask yourself whether this is a deal breaker for you. There's no getting around that working inside IR35 will impact your take-home pay, but for many contractors, other incentives can outweigh that. 74% of contractors state that the best part of contracting is the greater variety of work, with 64% finding they now got to focus on work they find enjoyable.

Before turning down a contract solely on the reasoning of IR35 status, it's worth taking the time to consider what the project means for you and whether the experience, work, contacts and general level of enjoyment gained might be worth proceeding. Especially as managing your contracts inside IR35 can be simple and straight-forward with a specialist accountant.

Having the conversation

With the public sector application changes here to stay and the likelihood they could soon be pushed out to the private sector, contractors need to ensure they're able to discuss IR35 and negotiate their contracts accordingly. Independent professionals will likely know far more about IR35 than their end-clients, by engaging in open conversations they can help to ensure accurate and well-informed decisions are being made about their contract status.

By having a firm understanding of IR35, contractors can confidently enter discussions and negotiate to ensure contracts are in their best interests, best suited to the project at hand while helping to educate clients who are likely still finding IR35 a very new element. Independent assessors and thorough review of contractual terms can ensure both parties have peace of mind over their tax liabilities.

For many contractors, however, IR35 status may come secondary to other aspects of the contract – it's always worth assessing and negotiating each contract individually to ensure you're getting the best option for you.



Off-payroll working rules:
is private sector rollout
incoming?

Off-payroll working rules: is private sector rollout incoming?

We've analysed the impacts of the IR35 application changes (off-payroll working rules) on both the public sector and the contracting market. Here we take a look at the likelihood of the public sector off-payroll working rules being rolled out to the private sector and how this might impact independent professionals and their future contracts.

Currently, there are nearly 2 million freelancers and contractors in the UK, a number that continues to steadily rise. Demand for contractors has reached its highest point this year according to the Recruitment and Employment Confederation and is currently at its strongest recorded rate of growth since March 2015. The continued rise of professional contracting delivers a wide array of benefits to the UK economy by providing a highly productive and skilled labour force available on demand. The flexibility offered by Britain's independent professional workforce is estimated at being worth around £21 billion to the UK economy.

'Businesses that want to scale and grow need expertise, but they often don't need it forever. Specialist contractors are a boon for getting new projects up and running with an accelerated time to market. Contractors have long played a significant role in the UK economy, and that won't be going away anytime soon.'

James Poyser – CEO of inniAccounts

Before the rollout of the public sector changes, there was significant uproar anticipating a 'mass contractor exodus' from the field. As we've previously explored, while the contractor market in the public sector has seen dips and bumps, these were less due to the actual legislative changes and more to risk-averse reactions from public sector procurement teams. As time has passed and these measures have been withdrawn, contracting in the public sector certainly hasn't ground to a halt. There's still a wide array of attractive contracts available for the competitive contractor.

As HMRC look set to judge the public sector changes as a success, concerns are rising once again that any further changes could herald 'a massive backlash' and 'disastrous consequences' for contractors far and wide.

Why are we likely to see private sector rollout?

Since the public sector reforms were introduced, many expert parties have concluded that expansion into the private sector is inevitable and more a matter of when rather than if. We're inclined to agree and suspect we'll see rollout by 2019 for several key reasons.

Despite the government being in a comparatively weaker position without a majority and likely keen to keep businesses sweet / avoid a backlash (especially with Brexit on the horizon), HMRC have not met their tax target. HMRC have claimed that IR35 non-compliance costs the Treasury £400m each year, but the public sector changes are only expected to yield £45m over the next two years. That's a big missing chunk still to be found. It's highly likely that the government will see private sector rollout as a quick and easy solution that can be put in place before Brexit. HMRC's recent claims that they've seen no evidence of any changes to the contractor market within the public sector, paints a clear picture of how they're likely to be advising the government on the matter.

IR35's role in eradicating false self-employment would also make the rollout a fairly popular move for Phillip Hammond; following the likes of the Taylor review and big news stories concerning vulnerable gig workers for the likes of Uber and Deliveroo.

A looming disaster for contractors?

48% of contractors say they are concerned about the public sector off-payroll working rules being rolled out to the private sector. Realistically, we will see some initial blips and problems when the changes emerge; as we have with the public sector. However, there will be fundamental differences and as we've seen in the public sector and with any changes over the last 17 years concerning IR35, the market will soon adapt.

'Private businesses will likely be far quicker to adjust to these changes. Where the public sector is risk-averse, the private is always on the lookout to get the most of what's available. Contractors will need to be wary of their clients taking a too optimistic view and trying to push HMRC's regulations for a bit of flexibility. But, just like with the public sector, pushing for accurate management of IR35 will both help to educate clients and ensure contractors are getting the best deal for themselves.'

James Poyser – CEO of inniAccounts

The Government have made it abundantly clear time and again that IR35 is here to stay. Instead of pushing against it in its entirety, there's a lot to be gained from contractors focusing on helping to facilitate well-informed and fair IR35 application. Those contractors who have engaged with the public sector and held discussions and negotiations over their contracts and IR35 status will soon have a significant competitive edge in the private sector.

Adapting to change

With the public sector IR35 application changes likely to be deemed a success by HMRC, we suspect private sector rollout will be instigated as a quick fix to a tax target. As the public sector changes came into effect we saw significant uproar anticipating a 'mass contractor exodus', we're now hearing the same fears for the private sector. While we'll probably see some bumps along the road, this certainly won't be an end to the contracting industry. Contractors have long played a significant role in the UK economy and with Brexit on the horizon, this won't be changing anytime soon.

As we've examined with the public sector, contractors can help to facilitate this change by having informed, open discussions with their clients while pushing for educated and fair IR35 assessments.



Managing IR35 with inniAccounts

Managing IR35 with inniAccounts

We've examined April's IR35 application changes (off-payroll working rules), the reaction from the public sector, agencies and the contracting community as a whole as well as the potential impact for limited companies, independent professionals and their contracts. To round off our 'Getting on with IR35' series, we take a look at how we at inniAccounts can help contractors going forwards.

Maintaining flexibility

Here at inniAccounts, we understand that flexibility is the cornerstone of contracting. 78% of the UK public agree that becoming an independent professional is the best route to both increased flexibility in work and a better work/life balance. A fact contractors and consultants firmly support, with less than 5% reporting dissatisfaction with their role and time and again rating themselves as being significantly more satisfied than their permanently employed peers.

The role of a contractor offers flexibility in projects, clients but also life – enabling independent professionals to choose when and how to work and when to spend time on the things that matter to them; be that family, travelling or training for the next marathon. It's no wonder that the number of people choosing to 'go it alone' continues to increase every year. This increase, however, also brings ever-growing levels of competition.

Not only is flexibility a perk of the job, it's a requirement for the professional contractor looking to maintain their competitive edge. Those contractors who flexibly look for contracts both within the public and private sectors, who have the knowledge to negotiate their contract's IR35 status and don't see IR35 as an immediate deal-breaker to an otherwise attractive contract will always hold an advantage.

Here at inniAccounts, we've worked to ensure every aspect of our service supports our clients need for flexibility.

How we can help

'At inniAccounts, we've created an intuitive experience for all our clients. With our software, it's easy to manage and switch between contracts that are inside or outside of IR35. So, contractors have the flexibility to take on any contract that suits them, while continuing to reap the benefits of being the owner of their own limited company.'

Matt Poyser – Co-founder & Director of Customer Experience

With inniAccounts, it's easy to manage every aspect of your inside IR35 contracts from invoicing through to receiving payments; all while keeping clear records that, for those contracts in the public sector, your tax and National Insurance have been correctly paid at source. Features built into our software allow you to handle both inside and outside IR35 contracts side by side with just a click of a button. Just like a standard contract, it's simple, efficient and accurate.

As with all dealings with regulatory and financial bodies, great record keeping and scrupulous collection of evidence is the best way to ensure you're protected should your status come under scrutiny. Managing your contracts and business finances with inniAccounts, ensures you have everything you could need at your fingertips.

Alongside our award-winning software, our team of expert Account Managers and Accountants are always on hand to discuss any enquiries in detail. There's also our Twitter, Blog and Knowledge Hub where we'll continually be discussing the ongoing impacts of IR35 as well as any other future changes that could affect independent professionals.

... our team of expert Account Managers
and Accountants are always on hand...

Getting on with IR35

With the public sector changes here to stay and it looking more and more likely the application rules could be rolled out to the private sector, it's more important than ever that independent professionals have a grounded understanding of IR35 and are continually assessing what's best for them.

Following April's IR35 changes; the initial reaction from the public sector was to impose rash reactions and blanket bans. Thankfully these have mostly been withdrawn. The public sector will now be taking appropriate measures to maintain their access to the contractor talent pool. Going forward, the public sector need to ensure they're making accurate and well-informed decisions when it comes to assessing IR35 status. By having open conversations, negotiating their contracts and refusing to accept needlessly risk averse rulings – independent professionals have a large part to play in the education of the public sector.

Should you choose to pursue a contract inside IR35, with a specialist accountant, managing your contract is an easy and straightforward process. Choosing a specifically tailored accountant, like inniAccounts, allows you to continue to enjoy complete flexibility in selecting your contracts while maintaining all the benefits of being the owner of your own limited company.

... inniAccounts, allows you to continue
to enjoy complete flexibility...

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