



1. IR35 – What is it, what is changing?

IR35 legislation ensures that UK contractors pay the same tax and National Insurance contributions as an equivalent employee would. **New IR35** changes will be implemented in April 2020 for private sector contractors that will transfer responsibility from contractors to large and medium companies to assess **IR35**.

2. Large and medium companies are now responsible for assessing tax status of a contractor, what do they need to do?

The assessment for determining whether a placement falls inside or outside IR35 will need to be completed by your company. You will need to use a **CEST test** (*Check Employment Status for Tax*: <https://www.gov.uk/guidance/check-employment-status-for-tax>) to determine the status of the placement, with the outcome either being 'employed' or 'self-employed'. You will need to pass this information to Blusource or other recruitment company who will pay the candidate based on the CEST test result.

3. Does this apply to you? Are you a medium or large company?

To be classed as a medium or large company, you will answer Yes to at least two of these questions:

1. Is your annual turnover more than £10.2 million?
2. Do you have a total balance sheet of £5.1 million?
3. Do you have more than 50 employees?

4. Liability - Who is liable for incorrect payments to the temporary candidate?

Should the recruitment agency fail to pay the candidate correctly, all three – the recruitment agency, client and candidate will be subject to pay any unpaid taxes and penalties. Liability for non-compliance will rest with the party that has failed to meet its responsibilities under the new IR35 legislation.

HMRC will check to see that each party has taken “reasonable care” to get the IR35 status correct.

5. In or Out? Employed (Inside IR35) or Operating as a genuine business (Outside IR35)?

If the placement is classed as '**employed**' by the CEST test, Blusource or other recruitment company has the option to pay the candidate one of two ways:

1. Pay the contractor as a PAYE employee through their recruitment agency payroll
- OR
2. Pay the candidate through an umbrella/PSC company

If the placement is classed as '**self-employed**' then Blusource or other recruitment company has the option to pay the candidate one of three ways:

1. Pay the contractor as a PAYE employee through their recruitment agency payroll



OR

2. Pay the candidate through an umbrella/PSC company

OR

3. Pay the candidate to their limited company

6. What will you have to submit to Blusource or other recruitment company for a temporary placement?

Clients will need to provide the recruitment agency with a written **Status Determination Sheet (SDS)** which will outline their determination of each placement.

Would you like a Free SDS template you could use to base yours on? Email bjones@blusource.co.uk

7. Do you have contractors in the business already via a recruitment company? What do you need to do?

Candidates who are currently being paid via a limited company will need to be contacted to ensure they are fully aware of the new IR35 changes. They will also need to be notified of the possibility that they may be paid PAYE or via an umbrella/PSC company after 5th April 2020.

Ensure your recruitment agency reviews their current contractor database to review which candidates are being paid via a limited company as these may be affected by the results of the CEST test.

Any 'limited company' contractor who is determined 'employed' under the CEST test will need to be notified that they will either need to be paid:

PAYE through the recruitment agency payroll

OR

Through an umbrella/PSC company

If the candidate is switching to being paid PAYE through the recruitment agency payroll then the candidate rate will need to be re-calculated to accommodate Holiday Pay, Pension Contributions and Employers NI due by the agency.

Ensure your recruitment agency review their list of used Umbrella/PSC companies to ensure they are working compliantly and that they are registered under Professional Passport and/or FCSA.

8. What will this mean for candidates who are contracting?

Candidates who are usually paid to their limited company but are now changing to being paid PAYE or via an umbrella/PSC company will incur additional taxation and national insurance. This will decrease their usual take-home pay.

With the reduced rate in take-home pay, candidates may request a higher daily rate, end their contract (in the hopes of finding another placement with a higher pay rate) or move to become a permanent staff member.

Candidates already being paid via an umbrella or PSC company will not be affected by the IR35 changes. That is unless the umbrella or PSC company is not compliant and not making the correct PAYE deductions.