

CONTRACTOR Newsletter

January 2021



Welcome to the DASA Umbrella Contractor Newsletter - January 2021

IR35 Rules Explained



THE BACKGROUND

As you are undoubtedly aware, the much-discussed changes to the IR35 rules will be implemented in April 2021 as part of the Government's overarching tax avoidance strategy.

The changes have now been formally passed by Parliament and will primarily affect contractors working in the private sector who are currently paid via their own limited company. Speculation that the new legislation would be delayed due to the COVID 19 pandemic has therefore been proved to be groundless.

WHAT IS ACTUALLY CHANGING

It is important to appreciate that the actual rules as to how the IR35 status of any given assignment is assessed are not changing per se; what is changing is which entity within the supply chain is responsible for defining the employment status of an assignment and accepting the subsequent tax liabilities.

In most cases, as of April, it will be the private sector firms who will bear the 'burden of responsibility' to justify the employment status of contractors, consultants and temporary workers; by default, HMRC will deem these firms liable for all IR35-related tax, interest and penalties.

It is therefore essential that you understand how these changes will impact on your professional circumstances and take the necessary steps to ensure that you do not fall foul of the new guidance.

The following information applies to all those who are actively engaged in temporary assignments, agency contracts or freelance projects, plus anyone who is considering embarking on a contracting career; it is also essential reading for anyone who will need to register with an Umbrella company to ensure their working arrangements are conducted compliantly post-April 2021.

Of course, if an individual is genuinely operating as a self-employed contractor as defined by IR35 legislation, then they can continue working in that manner post-April 2021. However, the nature of their working relationships with clients and customers will still need to be documented.

Formalising any self-employed arrangements will satisfy HMRC that contractors can continue to charge for their work and pay themselves tax efficiently. Any contract deemed 'inside IR35' dictates that contractors are considered (for tax purposes) to be an employee of the end client and therefore subject to PAYE tax calculations.

WHY IS IT CHANGING

The objective of these changes is to ensure that all those engaged in temporary assignments are fairly assessed and are therefore paying the correct amount of tax as befitting of their professional status.

HMRC is also committed to making sure that all entities within the assignment supply chain are conducting their business affairs in accord with all compliant employment legislation and not gaining a commercial advantage over those that are not.

Now more than ever, it's important that contractors are working within a supply chain that they can trust and where all parties are protected against the new risks and liabilities. Anyone doubting the potential risks of not complying should consider the fall-out from previous attempts by the industry to circumvent Government legislation.



DON'T TAKE THE RISK

Over 50,000 people are still in dispute with HMRC having been caught by the Loan Charge Scheme which was prevalent over a decade ago; many contractors were seduced by the promise of taking home up to 90% of their earnings by unscrupulous payroll companies who soon disappeared once they had scammed a fortune from many a worker.

Unfortunately, these schemes are still out there and are booming again due to the blanket banning of Personal Service Companies by some end clients in the run-up to IR35 reform in April. The FCSA (Freelancer & Contractor Services Association) recently submitted evidence to the Loan Charge Parliamentary Committee highlighting the fact that some perpetrators are putting up ever sophisticated 'shop fronts' to attract unwitting contractors.

Always remember, if it sounds too good to be true, it almost certainly is.

OUR SOLUTION

DASA Umbrella has partnered with Kingsbridge to provide contractors with a compliant assignment assessment tool which combines cutting-edge technology with expert support.

We understand that the traditional approach is to simply assess the status of the contractor/ role and then just rely on that information, but this is now too simplistic. If HMRC contest the status of an assignment and ultimately prove it to be incorrect, the contractor could be forced to pay any outstanding tax liabilities in addition to hefty fines and penalties.

The Kingsbridge tool provides compliant assessments which will be accepted by HMRC providing the qualifying criteria has been inputted correctly and honestly. Kingsbridge are renowned within the industry and have built their reputation (and business) on providing expert advice to tens of thousands of contractors over the years.

NEXT STEPS

In the first instance, we advise temporary workers to talk to their end-user client (hirer) to check if their assignment's employment status has been assessed in accordance with forthcoming IR35 legislation. If this proves not to be the case, then we recommend that you arrange a similar discussion you're your recruitment consultant to make sure that you will be working in a compliant manner post-April 2021.

If you are still none the wiser after these conversations, please feel free to contact DASA Umbrella anytime, and we will endeavour to help you.

Please call **0207 118 0555** or email **info@dasa-umbrella.co.uk**



DASA Refer a Friend Scheme

More than ever, people trust and value recommendations, so we want to offer you the opportunity of receiving a bonus for each person you refer to DASA.

How the Scheme Works:

Firstly, you must be an active contractor paid through DASA.

Then for every new contractor that signs-up with DASA following your referral, you will receive a £50 bonus once they have been paid four times. The bonus will appear on your payslip and in your account following your colleague's fourth payroll payment processed by DASA.

The sooner they join, the sooner you get paid. For example, if you refer a friend today and their first payroll payment is processed on Friday 26th February 2021 (assuming

they are paid weekly), you will receive the £50 referral bonus during the week commencing 22nd March 2021.

To refer a colleague, simply send an email to info@dasa-umbrella.co.uk, including your colleague's name, email address and phone number making sure you have their prior consent to sharing their details. Once received, our team will make contact with your colleague and complete the registration procedure; we will let you know once this process is complete.

Newsletter Content – We Would Love Your Input

The DASA Contractor Newsletter will be published and distributed on a monthly basis and we would love to include any relevant content that is of particular interest to all of our clients be they recruiters, contractors and even employers.

If there are any topics or issues that you would like us to include in future editions, please do not hesitate to let us know via info@dasa-umbrella.co.uk



**See you in February.
Stay Safe.**

