

Personal Service Companies Affected by 2018 UK Budget

Public Sector Off-Payroll Tax Rules Extended to the Private Sector

[16] November 2018

The recent UK Autumn Budget included confirmation that the off-payroll taxation rules (commonly referred to as IR35) for the private sector will be aligned with the rules for the public sector. This means that, where an individual is engaged through a personal service company, the end user, rather than the personal service company, will be responsible for ensuring that the correct amounts of payroll taxes (income tax and National Insurance contributions) are paid and accounted for to HM Revenue & Customs.

Draft legislation is expected in summer 2019 and the new rules are due to take effect from April 2020.

This Budget confirmation is in line with expectations. The rules were proposed a year ago, consulted on over the summer 2018 and discussed by the media in the run up to Budget Day. We reported on the proposed changes in previous alerts, which can be accessed [here](#).

The confirmation that implementation will not occur before April 2020 is welcome – providing certainty and allowing affected businesses reasonable time to prepare. The new rules will also not apply to small businesses, which will remain subject to the existing IR35 rules. It is expected that whether a business is “small” will be determined based on criteria set out in the Companies Act 2006. The detailed operation of the new regime will be explored over the coming months in a further consultation.

If you have any questions concerning this memorandum, please reach out to your regular firm contact or the following authors

LONDON

Richard Sultman
+44 20 7614 2271
rsultman@cgsh.com

Nicola Bartholomew
+44 20 7614 2261
nbartholomew@cgsh.com