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Impact on employers

Budget 2018

As part of the 2018 Autumn Budget, HMRC and HM Treasury have announced they will be extending the public sector IR35 rules to medium and large private sector organisations from April 2020. We are currently awaiting a formal definition of small organisations who will be exempt from this measure.

This announcement will be of interest to all medium and large organisations who engage with contractors, freelancers or consultants through a Personal Service company (PSC) or agency arrangement.

HMRC consider the changes to the IR35 rules for the public sector a success and are now extending these changes in an effort to address what they consider is "endemic non-compliance" in the private sector. HMRC state that as a result of the introduction of the new public sector off-payroll rules, 58,000 contractors per month are now paid through payroll under the IR35 rules. In a single tax year this has generated over £410 million in additional PAYE and NICs, suggesting a practice that is clearly working well in their mind.

Currently, under IR35 rules it is the PSC that is normally responsible for operating PAYE and NIC where it engages with a private sector company. HMRC have amended the rules so that the engaging company will have responsibility for assessing whether the engagement is caught by IR35 and the fee payer (which is now the private sector company or another entity in the supply chain, like an agency) becomes responsible for operating PAYE and NIC. HMRC estimate that a third of individuals engaged through a PSC fall within the IR35 rules, yet only 10% of this population are applying the rules correctly.

As part of the announced IR35 changes, and in order to support businesses, our Employer Soulutions team at Grant Thornton can assist you in preparing for the new rules. If you would like to have a discussion with one of our IR35 specialists about how your organisation is preparing for the changes please do not hesitate to contact us.

Other specific measures announced in the Autumn Budget that impact employers include:

- Employment Allowance reform - with effect from April 2020, the government will restrict the availability of the Employment Allowance to employers with employer's National Insurance contributions below £100,000 in their previous tax year (eg 2019/20).
- Apprenticeship Levy - the government are halving the co-investment rate for apprenticeship training to 5% from its current level of 10%. Any excess above the permitted maximum will still be funded solely by the employer.
- Short Term Business Visitors ("STBV") - the government has confirmed it will widen eligibility for the STBV PAYE special arrangement and extend the deadline for reporting and paying tax, with effect from April 2020.
- Taxation of self-funded work related training - following the recent consultation, government will be maintaining the scope of the current tax reliefs available to employees and self-employed.
- NIC on termination payments - the previously announced NIC changes to termination payments will now be legislated to take effect from April 2020.
- Vehicle benefits in kind - with effect from April 2019, the flat rate van benefit charge will increase to £3,430, the multiplier for car fuel benefit will increase to £24,100 and the flat rate van fuel benefit will increase to £655.
- From 6 April 2019, one year earlier than planned, the personal allowance will increase by £650 to £12,500 and the higher rate threshold will increase from £46,350 to £50,000.
- The National Living Wage will also increase from £7.83 to £8.21 per hour for over 25 year olds, with the rate for 21 to 24 year olds moving from £7.38 to £7.70 per hour and for 18 - 20 year olds, a boost from £5.90 to £6.15

It is likely that one or more of these measures will impact on you as an employer.

Please get in touch if have any questions or would like to discuss any of the above with our tax specialists.

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