IR35 Company Statement

It has long been common practice for many contractors to provide their services to UK companies via their own Personal Services Companies (PSC).

As the end client, historically this was a very simple way to obtain the services of contractors, either directly or via an agency, as responsibility for determining the tax status of the contractor (under the IR35 rules) was with the contractor themselves. It was the PSC which had to pay the tax of that assessment was wrong.

This is, however, about to change. From April 2020, the rules around who is responsible for determining the tax status of these contractors under IR35 (and who is liable for tax if the determinations are wrong) are changing and may have significant ramifications.

What are the IR35 Working Rules

IR35 is the set of tax rules that determines whether or not a contractor working through their own PSC (where the contractor will typically be the sole director and shareholder), is really a 'disguised employee' who should be taxed as an employee. Historically, responsibility for determining whether or not IR35 applied was down to the contractor. If they got it wrong, they were liable for any underpayment of tax and National Insurance Contributions.

HMRC reforms to IR35 in April 2017 In April 2017

HMRC brought in reforms within the public sector that switched responsibility and liability for determining whether someone was a 'disguised employee' from the contractor to the Public Sector organisation engaging them.

In the 2019 budget it was announced that these rule changes will be extended to medium and large sized companies in the private sector as from April 2020. A large / medium sized organisation is one which meets two or more of the following: over 50 employees, net turnover £10.2m or a balance sheet over £5.1m.

Our commitment to our customers;

1. SAXON CHASE will notify you if we engage with a PSC & provide any relevant information.

2. We will wait for you to provide the worker & SAXON CHASE with a Status Determination Statement (SDS) – stating whether the operative is caught or not by IR35.

3. If the worker or SAXON CHASE disagree with the decision SAXON CHASE would notify you.

4. We would be expected a reply within 45 days to verify;

a. Confirmed decision

b. Uphold SDS

c. Withdraw or Replace