

New UK Tax Rules on Off-Payroll Working: Postponed until 2021

March 19, 2020

In a bid to support British business through the COVID-19 pandemic, the UK government has postponed the introduction of changes to the UK's off-payroll working rules (IR35), from April 6, 2020 until April 6, 2021.

In a statement to the House of Commons, a senior UK Treasury minister stated that the "deferral" of the new rules was "in response to the ongoing spread of COVID-19" and was not a "cancellation" of their introduction, or otherwise a shift in policy.

We have set out in previous alerts the scope of the new rules (October 16, 2019) and the UK government's recent review of them (February 10, 2020). In broad terms, the rules will impose compliance burdens and payroll tax costs on certain businesses which engage individuals through an intermediary (such as the individual's own personal service company).

The postponement comes less than a week after the UK government confirmed that the rules would be introduced as originally planned on April 6, 2020.

Businesses should consider using the extra time to review engagements involving PSCs in light of the requirements contained in the final legislation and guidance, in particular in borderline or business-critical cases.

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