

The ghosts of IR35 past: lessons learned

IR35 has been delayed for the last time. Mike Herdman looks at what we can learn from previous preparation to get ready for the final deadline? We know it is now inevitable that the deferred deadline for IR35 reform in the private sector will be 6 April 2021. Despite the current pressures on the economy through COVID-19 and Brexit, and the continuing misalignment that the delay brings to the public and private sectors, the date is set. But this doesn't have to be daunting news.

Businesses have the benefit of hindsight considering the 'dry run' up to the previous deadline, and most know how much work is involved in preparing for the new rules. One of the overriding messages we heard from clients from last time is 'we wish we had more time' - and now we do.

It's critical that businesses re-focus energy to allow themselves adequate opportunity to get ready as, last time, not everyone appreciated how complex and time-consuming preparations could be.

The deferral of the off-payroll working legislation (IR35) gave a welcome respite for many businesses, giving them more time to prepare and to reflect on what they had done to date.

Lessons learned from IR35 past

We spoke to people across our business to gather the lessons learned by clients as we prepared for the last deadline. Here's what we heard.

"Not engaging wider internal stakeholders at the outset became an issue. We should have ensured there was an understanding of the requirements and potential impact on their business unit. We found it was also important to communicate changes to processes and policies to a non-tax technical audience."

"Many clients found it more complex than expected in terms of applying the rules and the time needed to understand them."

"The variety of off-payroll engagements was often

underestimated, which then required separate reviews."

"Companies often took for granted that their agencies would be able to manage/handle the changes, but this was not the case and required client/adviser intervention and further support."

"I was wrong to assume this is about preparing for IR35 changes only. In one case, we uncovered a number of self-employed individuals that they weren't aware of, which potentially results in a historic issue."

There's not long to go

Here are our top tips for focusing your time over the next few months:

- Ensure you fully understand the impact of the legislation change
- Communication, communication, communication - early and often - with internal stakeholders, and with contractors
- Ensure there is input at an early stage from all relevant teams, including tax
- Identify the contractor population – this can be more challenging than you may think
- Revisit the process adopted previously and ensure it is compliant. Is there a better way?
- Don't assume the agencies you use have this covered
- Remember it isn't just about doing assessments
- Consider how you will deal with contractor disputes

While in many cases we're not starting from scratch, no-one should underestimate the time and resource needed to implement what's needed ahead of the legislation coming into force. There are a lot of things to think about over the next three months and beyond.

For more information on how to prepare your business for IR35, discover [our employment status services](#) or contact Mike Herdman.



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