

# What does the election mean for IR35 and the self-employed?

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For some time now the government has been planning to align the obligations of certain medium-sized and large private sector businesses to those in the public sector with regard to assessing the tax status of contractors providing their services to them via personal service companies. This would mean that where a contractor is deemed to be an employee (and not self-employed) for tax purposes, the person paying that personal service company would become responsible for deducting tax under PAYE rather than remain with the relevant contractor's personal service company. The government expects that this change to the IR35 regulations will bring in additional tax. Draft regulations were published in the summer but the legislation was not passed before parliament was dissolved. If the Conservatives are returned then it is likely the legislation will pass and the changes will take effect from April 2020. However, the comments from the parties on this topic shed some doubt on the April 2020 timeline.

Most recently, the Chancellor of the Exchequer announced that there would be a review of IR35 if the Conservatives are re-elected.

This follows from the Liberal Democrats, who have also committed in their manifesto to review these proposed [IR35](#) changes and have separately said they will seek to introduce a new employment status of 'dependent contractor'. This new status would come with certain employment rights but the tax treatment would be 'comparable' to that of employees. Whether a worker providing services via a personal service company could be considered to be a dependent contractor remains to be seen but it appears that if the Lib Dems have a hand in government that the current [IR35](#) changes will not simply be passed as planned without further review.

The Labour manifesto does not refer to IR35 directly but it does state that Labour will look to end 'bogus self-employment'. In doing so it would create a single status of 'worker' that would apply to anyone who was not genuinely self-employed. The changes seem to be aimed at giving workers more rights rather than collecting tax so it is not clear whether those providing their services via personal service companies will be considered 'genuinely' self-employed or not, or if this will be determined in line with the existing [IR35](#) rules. However, Bill Esterson, Labour's shadow minister for small business subsequently told The Association of Independent Professionals and the Self-Employed that the IR35 legislation would be reviewed and not rolled out in 2020.

Until the outcome of the election is known and the subsequent winning party announces its change, if any, to the [IR35](#) regulations the situation will continue to be uncertain for those who are engaging contractors or providing their services via their own limited companies. If the legislation does pass early next year this will not leave much time to prepare so larger businesses, in particular those with a lot of contractors, may wish to start considering how they will address this change now.

If you have any questions regarding the UK General Election 2019, please contact your usual Withers contact. You may also wish to view our dedicated webpage which will be updated regularly before Thursday 12 December, [click here](#) to view it.

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