



recruitment agencies:
are you ready to
manage the IR35 risk
in the private sector?



background

By now you will be aware that under the Off-payroll working regulations your clients will want you to understand and provide added value advice on the financial and reputational risks associated with how you engage with their contractors in the supply chain, specifically those who operate via their own limited company.

Lots of advisors can tell you the issues, the impact on costs, HMRC IR35 case law and so on but what you need now is a proven, trusted independent partner who can help you provide robust tailor-made solutions for your clients that clearly explain their risks under each option. Understanding the risks will dictate their decisions.

As an independent workforce management expert, **giant** is available to help you navigate the issues and to deliver the right value added solutions for your clients. For in-depth background information please read our various white papers which can be found on our website.



the issue

HMRC brought Off-payroll working legislation changes to the public sector in April 2017 making public sector bodies responsible for deciding the IR35 employment status of each assignment undertaken by a limited company contractor (it used to be the contractor's risk and responsibility).

The overwhelming majority of decisions were that contractors were inside IR35 and therefore liable to be taxed under PAYE. HMRC deemed this a great success and will implement the same regime in the private sector from April 2021 for qualifying companies. Your clients qualify if they meet 2 of 3 criteria: a turnover greater than £10.2m; a balance sheet greater than £5.1m; and more than 50 employees.

What are the main changes to consider? Your client will:

- decide the contractor's IR35 status for each assignment using reasonable care

- issue a Status Determination Statement to the next party in their supply chain and direct to the contractor explaining their IR35 decision
- have an appeals process for the contractor to challenge their decision
- have the risk that any failures in the supply chain can result in them becoming responsible for outstanding payments

The financial risk of making the wrong decision is high. Clearly outside IR35 decisions carry the highest risk. A hirer's gross financial liability for lost tax, national insurance, apprenticeship levy, interest and moderate penalties over a 3-year period for an average contractor earning £100,000 pa is well over £100,000.

Perhaps the more damaging and long-lasting impact is on reputation. Your clients work very hard to ensure their business is seen as fully compliant and above reproach so they will need to ensure, with your help, that all risk is understood and mitigated.

what do you need to do?

assessment of contractor roles and your clients supply chain

First and foremost, you can help your client audit their supply chain and review every role undertaken by a contractor working through their own limited company noting the main factors for consideration including how critical the role is. This will need to be completed on an ongoing basis to assess IR35 employment status.

The **giant** assessment service will carry out the IR35 review on your client's behalf using the HMRC CEST tool. In addition, **giant** utilises an independent assessment tool which provides a more detailed assessment to support CEST but also to highlight those roles requiring more verification. Our service will also provide the Status Determination Statement and cater for workers who can appeal assessment decisions.

Smarter assessments will ensure your client does not lose out as they might with 'blanket' decisions. Peace of mind delivered by a thorough and consistent process also ensures that additional costs will be minimised as contractors proven to be 'outside' will not require additional remuneration.

Given the significant risks we can also review the supply chain. A robust, compliant and financially secure supply chain is important, as weaknesses anywhere in the chain can result in you and your client bearing the risk.



IR35 fee payer and employment solutions

Where contractors are inside IR35, but want to continue using their limited company, the IR35 fee payer (the party paying the contractors limited company) is responsible for the collection of appropriate taxes before paying the remainder to the limited company. As a proven trusted provider, we can take the responsibility as the fee payer.

account and project management

Your **giant** account manager will be an expert in your workforce management solution and they, with their team, are available to manage all aspects of Off-payroll worker engagement from IR35 contractor and supply chain audits, risk review and recommendations through to screening and on boarding, electronic timesheets and employment and IR35 fee-payer solutions, liaison with HMRC and subsequently to off-boarding. Our services are delivered using our own software.



summary

Doing nothing is not an option. The financial and reputational risk for you and your clients of getting it wrong and the potential additional costs attached require serious attention before it is too late. The government has allowed some time for you to plan but April 2021 is fast approaching.

Contact us today to discuss how we can help you add value to you and your clients.



about giant

Since 1992 **giant** have provided specialist, end to end workforce management software and support services to large and small recruitment agencies, internationally.

We invest heavily in our cloud-based software which ranges from candidate sourcing and onboarding through to timesheet management, billing and payroll. Our support services include candidate screening, employment solutions and legislative risk management; whilst at our specialist division, **giant finance+**, we provide tailored funding, software and support services for start-up to medium sized recruitment agencies.

You can relax knowing your data is safe with us. Our commitment to compliance protects your business from risk and our rigorous international security standard ISO 27001 ensures that your data is GDPR secure.



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