

IR35



the private sector

At the Autumn Statement in 2016, Chancellor Philip Hammond announced a reform on the off-payroll rules in Chapter 8 Part 2 Income Taxes (Earnings and Pensions) Act 2003 (ITEPA 2003), often known as IR35. In April 2017, this reform came into effect, but only for those employed in the public sector.

Now, more than a year on, the Government is working on a consultation document and plans to extend this legislation into the private sector as well, but more than one in three (37%) of 2,000 professionals employed in an HR role in the UK are still unaware of the legislation's existence.

One in three unaware

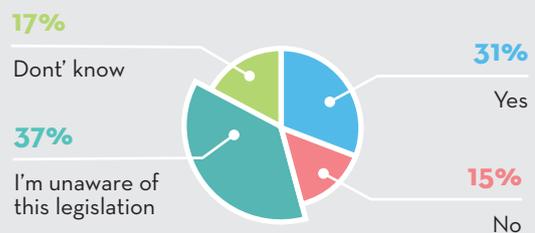
Surprisingly, this one in three figure is the same in the private sector and the public sector - where the IR35 reform has been in force for a year. It is also similar between large and small organisations.

Awareness seems more prevalent in certain industries, often those where highly skilled professional contractors would be expected to work:

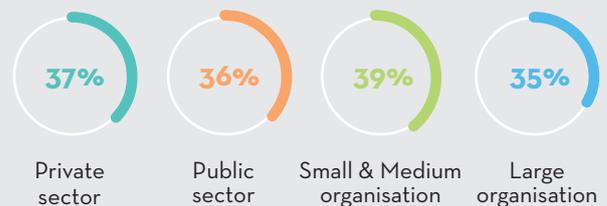
- *finance and insurance (27%)*
- *business services (23%)*
- *healthcare (28%)*
- *information and communication (30%)*

By that same logic, is it unsurprising that regions with the largest conurbations and highest density of businesses were most likely to be aware, with London the most aware.

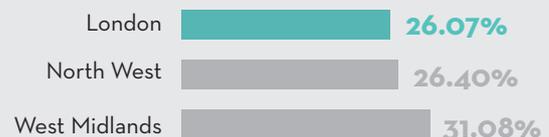
Do you think IR35 should be rolled out to the private sector:



I am not aware of the IR35 legislation:



London has lowest level of unawareness around IR35:



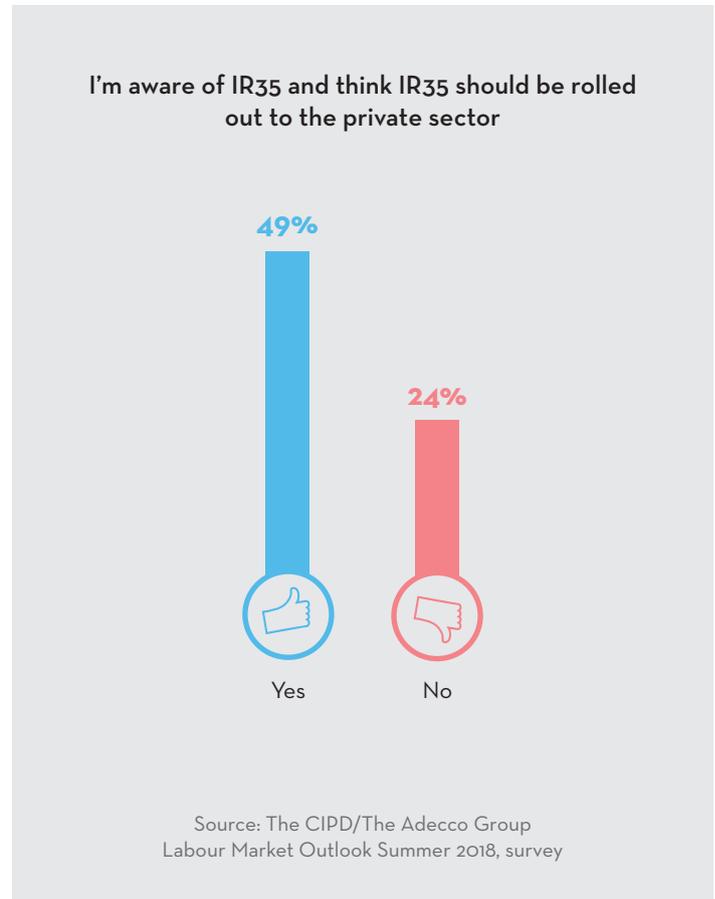
Source: The CIPD/The Adecco Group Labour Market Outlook Summer 2018, survey

Half think IR35 should be extended out to the private sector

Amongst those that were aware of the legislation, half (49%) believe it should be rolled out into the private sector - twice as many as thought it shouldn't be (24%). This positive feeling is slightly higher in the public sector where 56% want to extend it out to the private sector, compared to 47% in the private sector.

Smaller organisations are significantly less likely to approve, with only 44% wanting to extend the legislation.

Of those that would extend, half would like to do so on exactly the same terms that currently operate in the public sector, although the public sector is far more likely to want this than the private sector understandably. The other half are split equally between adapting the model for the private sector or updating the whole model for both sectors. The private sector favours updating the model for both, while the public sector would rather keep the model they have just become used to and let the private sector make its own changes.



No conclusive opinion on the way forward... Next steps?

The public sector rules on IR35 have been law for more than a year, but this survey suggests there is still no conclusive opinion on the way forward. Yes, twice as many people want to extend it to the private sector as do not, but that could well be just for the reason of a British sense of fair play.

At the same time, more people want to rescind the legislation (10%) in its entirety than want to update the whole model (8%).

The government consultation closes on 10 August 2018 and it seems likely they will have a wide range of opinions to consider.

Data collected as part of the survey for the CIPD/The Adecco Group Labour Market Outlook (LMO), Summer 2018