

Introduction

With businesses across the globe looking to transform, the **upcoming IR35 changes** couldn't have arrived at a worse time.

With the **unpredictable shifts in working** over the last year, it's another challenge for business and sector-specific talent to tackle head-on.

With Brexit also presenting roadblocks in hiring IT talent, can **leveraging global development teams** be a sure-fire solution for businesses to meet their strategic objectives?





What is IR35?

IR35 refers to “**the UK’s anti-avoidance tax legislation** designed to tax disguised employment at a rate similar to employment.”

The legislation's primary **objective is to close a loophole in the tax system** where employees use a limited company structure to pay less tax.



What do the IR35 changes mean for companies?

While contractors who work through a limited company don't usually get employee benefits, they enjoy a **higher degree of flexibility** and a lower income tax rate.

Some contractors and their clients have been taking advantage of this by operating as self-employed when they're actually working as employees.

The upcoming [IR35 changes](#) seek to close this loophole and attempt to **move these 'disguised employees' to full-time employment contracts**, increasing both parties' financial outlay.

The changes coming into **force in April 2021** will make it more difficult for private sector firms to attract top-tier contractors as the contractors increase their **rates to offset higher tax payments**.



What do the IR35 changes mean for the contractors?

Contractors will no longer be responsible for deciding their **employment status for tax purposes** — the client will decide this instead.

In a recent survey, **42% of respondents** expressed that they would leave their role if it was determined that they would fall under the definition of **'disguised employee'**.



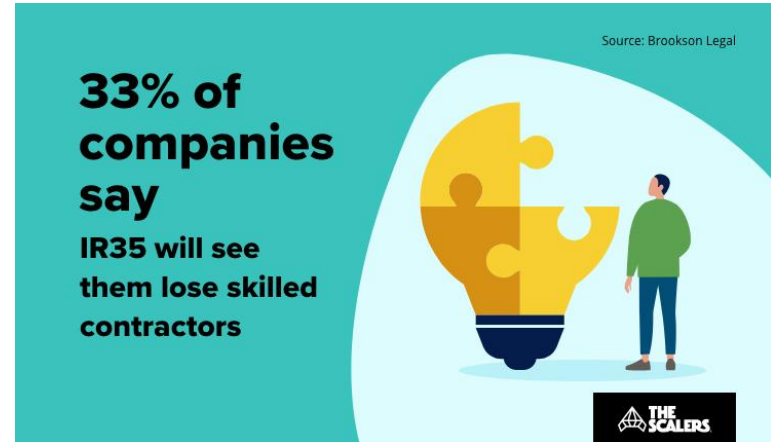


A solution in sight...?

Currently, some businesses — particularly in the banking sector — have proposed shifting their contractors to **'Pay-As-You-Earn' (PAYE) employees**. This is the name of the UK system where income tax is deducted by the employer automatically.

As these companies begin to wonder about the **implications of operating within PAYE**, will they still be able to attract and retain the best talent?

Many organisations have no choice but to look further afield in order to find the skills **they need to stay competitive**.





...leveraging offshore software teams?

For many businesses, **offshore software teams are the best solution** to access top talent and disruption-proof their operations.

British retail giant Argos thinks so, setting up IT operations in Mumbai in what looks set to become a popular option for companies relying on development contractors.

Offshore software development has grown in response to pandemic-related challenges, and perhaps these **global teams can be leveraged as a solution to IR35?**



Thank you



thescalers.com