



Off-payroll rules in the private sector

If you engage outside contractors who provide their personal services through their own companies, so called Personal Service Companies (PSC's) you need to be aware of the new rules that come into effect from April 2020. Further details can be found here: -

[Off-payroll rules](#)

There is a very important exemption from the new rules for Small Companies. But what is a Small Company? Here is a brief guide: -

Small company exemption

The new rules only apply to medium and large businesses outside of the public sector. The exemption uses the existing definition of 'small company' in the Companies Act 2006 for incorporated businesses.

In order to qualify the company must meet at least two of the following requirements:

- Annual turnover of not more than £10.2m
- Balance sheet total of not more than £5.1m
- Average number of employees must not be more than 50.

For unincorporated businesses there is a simplified test so only the annual turnover test of £10.2m applies.

Assessment is made to the financial period ending in the previous tax year. For companies and limited liability partnerships this will be the period ended before 6 April 2020 for the 2020/21 tax year. For individuals and partnerships, they will assess using their 2019/20 turnover for the 2020/21 tax year.

Going forwards from 6 April 2020, for incorporated businesses, if the company meets the conditions for two consecutive years, the new rules must be applied from the start of the tax year following the end of the filing period for the second financial year when the conditions were met. If the simplified test is met and the new rules apply, they must be applied from the start of the tax year following the end of the calendar year when the conditions were met.

If a parent company does not qualify as 'small' under the test above, then none of its subsidiaries can qualify as 'small'.

Contact us if you need to know more.