HOUSE OF COMMONS LIBRARY

DEBATE PACK

Number CDP 2019/0074, 25 March 2019

IR35 Tax Reforms

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Contents

Summary

A Westminster Hall debate on IR35 Tax Reforms has been scheduled for Thursday 4 April 2019. The subject has been selected by the Backbench Business Committee. The Member leading the debate is Ged Killen MP.

In April 2000 the then Labour Government introduced the 'intermediaries legislation', known as IR35. These provisions are intended to prevent tax avoidance by those supplying their services 'through' a personal service company in circumstances when they would have been taxed as an employee if they had provided their services directly. There are long-running concerns about the impact of IR35 on freelancers using PSCs, but also about the effectiveness of the rules to prevent tax avoidance, in part because it is the responsibility of the PSC to ascertain if they fall under the scope of IR35 for any specific engagement, rather than the client.

In the 2016 Budget Government proposed that from April 2017 public sector bodies would have new duty to ensure any contractors that they took on were complying with IR35. Following consultation, in the Spring 2017 Budget the Government confirmed that this reform would proceed; provision to this effect was included in *Finance Act 2017* (section 6 & schedule 1).

In Autumn 2017 Budget the Government announced that it would consult in 2018 on the possibility of extending this reform to the private sector. Following a consultation exercise over May to August 2018, in the 2018 Budget the Government confirmed that it would extend this change to private sector from April 2020 after further technical consultation. This second consultation – the subject of this debate – was launched on 5 March, and will close on 28 May.

1. Background

In April 2000 the Labour Government introduced new rules for the tax treatment of personal service companies (PSCs) in the light of concerns that this corporate form was being exploited to avoid tax.

The term 'personal service company' (PSC) is not defined in law, but is usually taken to mean a limited company, the sole or main shareholder of which is also its director, who, instead of working directly for clients, or taking up employment with other businesses, operates through their own company. For any engagement the client will pay the PSC for the individual's services without first deducting income tax or employee National Insurance contributions (NICs) as it would for any employee under PAYE.

There are several possible tax advantages to this type of arrangement for the individual, further to the wider potential benefits from freelancing. First, the range of expenses which the PSC may set against its taxable profits will be much wider than that allowed an employee to set against their taxable income. Second, there will be a cash-flow benefit in avoiding tax being deducted at source each month. Third, the individual may be in a position to be paid dividends by their PSC, as an alternative to only being paid earnings as the PSC's employee, and this form of income would not be subject to NICs. There are also potential financial benefits for the client organisation to this arrangement: they do not incur employer NICs on the payment they make to the PSC, and do not have to provide various rights and entitlements that employees enjoy (such as holiday pay, sick pay and working time protections).[1]

By the late 1990s there were concerns that PSCs were being widely used to disguise the fact that in many situations individuals were working effectively as their client's employee, while garnering these tax benefits. To counter this type of tax avoidance in the March 1999 Budget the Labour Government announced it would introduce provisions to allow the tax authorities to look through a contractual relationship, where services provided through an intermediary such as a PSC, but the underlying relationship between the worker and the client had the characteristics of employment. In those circumstances, the engagement would be treated as employment for tax purposes. Initially it was proposed that it would be the responsibility of the client organisation to determine if any engagement met this test.

The proposals proved highly contentious. Many businesses raised concerns as to the potential administrative burden in having to assess each and every contract this way, in part because there is no simple

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[1] These are often characterised as the 'push' and 'pull' factors driving the growth of PSCs (see, House of Lords Select Committee on Personal Service Companies, *Personal service companies*, HL Paper 160, 7 April 2014 para 22-38).

statutory test to determining employment status for tax purposes.[2] After consultation the Labour Government announced a new approach. Intermediaries would be required to assess whether:

- where a worker provided services under a contract between a client and an intermediary;

  and,

- but for the presence of the intermediary, the income arising would have been treated as coming from an office or employment held by the worker under the existing rules used to determine the boundary between employment and self-employment income for tax purposes, if the individual had contracted directly with the client.

If so, the intermediary would be required to account for tax on this payment in just the same way as employee earnings (ie, charge income tax under PAYE and Class 1 NICs).

Provision to this effect was included in the *Finance Act 2000* with effect from the 2000/01 tax year.[3] The legislation is commonly called 'IR35', after the number of the Budget press notice which first announced this measure.[4]

In the decade after its introduction IR35 remained controversial in the freelance community, although the Labour Government consistently opposed calls for it to be scrapped.

In July 2010 the Coalition Government announced the newly-established Office of Tax Simplification (OTS) would review small business taxation, and this would include exploring "alternative legislative approaches to IR35."[5] The OTS completed its report just before the 2011 Budget. It set out several options for reform, including a merger of income tax and NICs which would remove the major tax incentive to working through a PSC and make IR35 obsolete. In the absence of such a fundamental reform to personal tax, the OTS suggested that IR35 might be suspended with a view to being abolished, or amended to exempt certain businesses, or retained but with certain changes in their application.[6] In the 2011 Budget the Government announced that IR35 would be retained "as abolition would put substantial revenue at risk," though its administration would be improved.[7]

Following the 2015 General Election, the Conservative Government published a discussion document on improving the effectiveness of

2 As the Office for Tax Simplification noted, as part of a major review of the issue, "employment status is established ultimately by case law but, on an everyday basis, it is up to the business or individual to figure out whether they are employed or self-employed." (OTS, *Employment status report*, March 2015 para 2.1).
3 HMRC publish guidance on the IR35 rules on Gov.uk.
4 Inland Revenue Budget press notice IR35, *Countering avoidance in the provision of personal services*, 9 March 1999
5 HM Treasury press notice 29/10 20 July 2010
6 OTS, *Small business tax review*, March 2011 pp5-6
7 *Budget 2011*, HC 836 March 2011 para 2.203

IR35. Responses were invited by the end of September 2015. On the matter of compliance, the paper noted, "in 2011/12 around 10,000 people paid tax under IR35, an estimated 10% of those who should have paid tax on at least part of the income their PSC receives under the legislation."[8] Stakeholders were asked for views on a number of options, including the case for moving the responsibility for determining whether IR35 applied or not from the PSC to the client: "under such an arrangement, those who engage a worker through a PSC would need to consider whether or not IR35 applies (in the same way as they would need to consider whether a worker should be self-employed or actually be an employee), and, if so, deduct the correct amounts of income tax and NICs as they would for direct employees."[9] However, despite expectations, the Government did not announce major reforms to the rules at this time.

Over the next three years several other measures were introduced to prevent this corporate form being used for avoid tax.

First, in the 2014 Budget the Coalition Government confirmed proposals to tackle the use of offshore intermediaries to avoid tax, and to prevent agencies based in the UK using contrived contracts to disguise employment as self-employment.[10] Second, in November 2015 the current Government announced that from April 2016 it would "restrict tax relief for travel and subsistence expenses for workers engaged through an employment intermediary" where the intermediaries legislation applied.[11]

Third, in the 2016 Budget Government proposed that from April 2017 public sector bodies would have new duty to ensure any contractors that they took on were complying with IR35.[12] A consultation exercise was launched in May 2016, and in the 2016 Autumn Statement the Government confirmed it would proceed with this reform.[13] At the time the Government ruled out adopting the same approach to the application of IR35 in the private sector for the time being, or introducing a new test for applying IR35 based on the length of the contractor's contract.[14]

Just prior to the 2017 Budget, HMRC launched its digital tool – Check Employment Status for Tax ('CEST') – to guide organisations and freelancers on the potential application of IR35, and more generally, on determining employment status for tax purposes.[15]

With the implementation of these new rules there was considerable speculation that the Government *would* extend the new duty for

8 *Intermediaries Legislation (IR35): discussion document*, 17 July 2015 p4
9 *op.cit.* p8
10 *Budget 2014*, HC 1104, March 2014 paras 2.194-5
11 *Autumn Statement*, Cm 9162, November 2015 para 3.20; *Budget 2016*, HC901, March 2016 para 2.39.
12 *Budget 2016*, HC901 March 2016 p43; HMRC, *Off-payroll working in the public sector*, March 2016
13 *Autumn Statement*, Cm 9362, November 2016 para 4.11. Provision to this effect is included in the *Finance Act 2017* (specifically section 6 and Schedule 1).
14 *Off-payroll working in the public sector: reform of the intermediaries legislation*, May 2016 pp36-8
15 HMRC, *Check employment status for tax – guidance*, March 2017

contractors' clients to the private sector at some point. In the Autumn 2017 Budget the Government announced it would "carefully consult on how to tackle non-compliance in the private sector, drawing on the experience of the public sector reforms."[16] This consultation was launched on 18 May 2018, and closed on 10 August.[17] The consultation paper stated that extending the public sector reform to the private sector is the Government's lead option, though it noted "public authorities faced challenges in implementing the reform and that this is a concern for businesses and individuals working in the private sector."[18] HMRC also published a short factsheet on the consultation,[19] and an independent review it had commissioned on the impact of the public sector reforms on client organisations at this time.[20]

In his 2018 Budget the Chancellor Philip Hammond confirmed that the Government would proceed with this reform, but the new rules would come in from April 2020 and apply to large and medium-sized businesses only. A further consultation on the detailed operation of the new rules would be published in the coming months.[21] This was launched on 5 March; responses are invited by 28 May.[22] It is anticipated that draft provisions will be published as part of the draft Finance Bill this summer, for introduction after the 2019 Budget. The consultation document underlines the point that this reform "will come into force from 6 April 2020."[23]

The paper sets out detailed proposals in a number of areas: exempting the smallest organisations; determining responsibilities for compliance and tax liability for clients, agencies, PSCs and individuals through the labour supply chain; helping organisations to make the right status determination; and, providing education and support. In the latter case, the paper acknowledges criticisms that have been made of CEST, and specifically the tool's ability to "take account of existing employment status for tax case law and the resulting possibility to not give an accurate employment status determination in some cases", and, "reflect the complex nature of the private sector." In response to this, the paper states that HMRC "is looking to":

- enhance the service to help customers make employment status decisions;
- improve CEST guidance so organisations can confidently make employment status determinations that people working through intermediaries will be able to see and understand

16 *Autumn Budget 2017*, HC 587, November 2017 para 3.7
17 HM Treasury press notice, *Government to consult on tax avoidance in the private sector*, 18 May 2018. See also PQs 150081-2, 13 June 2018
18 HMT/HMRC, *Off-payroll working in the private sector: consultation document*, May 2018 pp22
19 HMRC, *Factsheet: off-payroll working in the private sector*, May 2018
20 HMRC, *Off-payroll reform in the public sector: Research Report 487*, May 2018
21 HC Deb 29 October 2018 c661; HMT/HMRC, *Off-payroll working in the private sector: summary of responses*, October 2018 para 3.1
22 The Financial Secretary Mel Stride made a statement on publication: HC Deb 4 March 2019 cc736-7.
23 HMRC, *Off-payroll working rules from April 2020: policy paper & consultation document*, March 2019 p2

- develop an education and support package for those affected to help them prepare for, and implement changes to the off-payroll working rules.[24]

In the introduction section the Government underlines the point that "this consultation is not intended to consider alternative approaches to tackling noncompliance with the off-payroll working rules":

> The government set out its position in respect of alternative proposals in the previous consultation document and the subsequent government response. This consultation is also not intended to consider the interaction between employment rights and being taxed like an employee. There is currently no link between tax and employment rights. However, last year the government issued a consultation on employment status that explored the case for aligning the employment status definitions across tax and rights, including whether those deemed to be employees for tax purposes, such as those within the off-payroll working rules, should receive employment rights.[25]

This earlier consultation on employment status was part of the Government's response to the Taylor Review of modern working practices, and to date, the Government is still analysing the feedback it received.[26]

On 12 March Ged Killen MP made an application to the Backbench Committee for a debate on these proposals; part of Mr Killen's comments are copied below:

> In principle, the reforms are trying to tackle tax avoidance in the form of disguised employment, with which I am by no means in disagreement, but the people who have contacted me are often genuinely freelance workers …
>
> A range of issues have been brought to my attention by other signatories of the application, including concerns about the fact that people will be treated as employees for tax purposes but will not enjoy the employment rights that go along with that.
>
> Also, the "check employment status" tool is considered by many contractors as ineffective in determining a person's employee status, and there is the likelihood, which we have seen in the public sector already, that in the private sector companies will seek to take a blanket approach in order to avoid falling foul of the rules, which will mean that people end up being treated as employees when they really shouldn't be, and that can lead to a recruitment crisis ...
>
> I know that the Government is currently consulting on the changes … and this would be a good opportunity for people to raise the various concerns that have been brought to them by their constituents.[27]

In this context it is worth noting that the Government do not anticipate that in future all freelancers would fall under IR35. Indeed freelancers working in the public sector may continue to do so outside the scope of IR35, *provided* they meet the relevant tests with regard to the way in

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24 *op.cit.* p24
25 *op.cit.* p5
26 For details see, BEIS/HMT/HMRC, *Employment status consultation*, February 2018
27 Backbench Business Committee, *Representations: Backbench Debates*, 12 March 2019 Q1

which they provide their labour services. In answer to a recent PQ on the potential impact of this measure Treasury Minister Mel Stride stated the following:

> The off-payroll working rules (sometimes known as IR35) only affect people working like employees and through a company. They do not affect the genuinely self-employed and do not focus on specific trades or professions. The announced extension to the private sector, and the recent reform in the public sector, do not change the employment status of freelance financial service providers. As in all cases, whether they are employed, or self-employed, depends on the facts of their working arrangements.[28]

The Government's consultation paper published last year observed, "HMRC estimates that around a third of people working through their own company should fall within the rules and be taxed as employees. However, currently, only 10% of this group actually determine they should be taxed in this way."[29] That said, it is HMRC's view that compliance with IR35 is getting worse – so that the estimated cost of non-compliance is anticipated to rise "from £700m in 2017/18 to £1.2bn in 2022/23 … as the number of people working through PSCs continues to grow."[30]

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28 PQ211930, 28 January 2019
29 Off-payroll working in the private sector: consultation document, May 2018 para 2.6
30 *op.cit.* para 2.2

2. Parliamentary material

2.1 Statements

The Financial Secretary to the Treasury (Mel Stride), *Tax Avoidance, Evasion and Compliance*, 4 March 2019

With permission, I should like to make a statement on tax avoidance, evasion and compliance.

This Government take a balanced approach to the public finances, investing in our vital public services while getting our debt down and keeping taxes as low as possible, and part of that approach is that everybody must pay the tax that is properly due. The vast majority of taxpayers, from individuals and the smallest businesses to the largest companies, already pay their fair share. This Government recognise their duty to that compliant majority to build a fair and sustainable taxation system and, through that system, to make sure that those who try to avoid or evade their tax liabilities are held to account.

Our approach is working. At 5.7%, the tax gap is at a near-record low. The difference between the tax that should be paid to Her Majesty's Revenue and Customs and the actual tax that has been paid is at its joint lowest level in five years, thanks to HMRC's sustained efforts to tackle non-compliance and to help customers get their tax affairs right first time.

HMRC tailors its approach to different taxpayers, subjecting the largest businesses and the wealthiest individuals to the greatest level of scrutiny, while using data and digital tools to help smaller and mid-sized businesses to get it right, with close attention on those where avoidance or evasion is suspected. We must make sure the tax system is not a barrier to setting up, running or growing a business, but we should never forget that the tax brought in by HMRC directly funds our vital public services.

I am proud of this Government's success in this respect. Since 2010, we have introduced over 100 measures to tackle tax avoidance, evasion and other forms of non-compliance. Alongside this, HMRC's compliance work has secured and protected £200 billion in tax revenue that would otherwise have gone unpaid. In addition, at Budget 2018 the Government announced a further 21 measures that together are forecast to raise around £2.1 billion by 2023-24. This success demonstrates the Government's continued efforts to address tax avoidance, evasion and non-compliance in all its forms.

At the same time, the Government recognise that these efforts must be designed and targeted carefully. All HMRC powers, which are given by Parliament, must be accompanied by the necessary safeguards to ensure that they are used correctly. The Government will keep the tax administration framework under review, in consultation with interested external stakeholders, to ensure that it continues to strike the right balance between robustly challenging tax avoidance, evasion and other forms of deliberate non-compliance and treating all taxpayers fairly.

As part of our continuing efforts to reduce the gap between money owed and money paid, the Government have also set about reforming the rules that govern off-payroll working. These rules, known as IR35, were first introduced in 2000 to ensure people working through their own company, who, but for the existence of the company, would be taxed as employees, pay broadly the same tax and national insurance as other employees. The rules do not affect the genuinely self-employed and the Government recognise the contribution that contractors make to business and to public services across the country. Our aim is simply to ensure that contractors who work through their own company pay the right tax.

However, evidence has suggested that these rules have been frequently misapplied, so contractors were incorrectly paying tax as though they were self-employed when they were actually acting as employees. It is right and fair that everyone must pay the tax that is due irrespective of the nature of their employment. We want a tax system that is simple and clear to use, so that businesses and individuals alike can understand what they owe and how and when to pay it.

In April 2017, the Government introduced new rules for public sector organisations who take on contractors through their own company. The reform means that public sector organisations are now responsible for deciding both whether the contractor is acting as an employee, and therefore within the rules, and ensuring the right amount of tax is paid.

I am pleased to report to the House that this has proved to be effective, with HMRC estimating that an additional £550 million has been raised in income tax and national insurance contributions in the first 12 months since the measure was introduced. However, non-compliance in the private sector remains a persistent and growing problem that, if left unchecked, will cost the taxpayer as much as £1.3 billion by 2022-23, according to the Government's estimates.

In last year's Budget, the Government announced that we will extend the reform of off-payroll working rules to the private sector from April 2020, and tomorrow we will publish a consultation to seek views on the detailed design of the reform to enable effective implementation. By changing the design of the off-payroll working rules, we are helping individuals working in this way to ensure that they are compliant with the existing legislation. For this reason, the Government's focus will be on supporting organisations and businesses to apply the rules, rather than enforcing historical cases. Our aim is to provide individuals and businesses with greater certainty around how the off-payroll working rules will operate from April 2020 and the actions that individuals and businesses can take to prepare for the reform.

Our reforms to off-payroll working are just one of the ways in which this Government are ensuring that we have a tax system that is fit for the 21st century, and I commend this statement to the House.

2.2 Recent PQs

Small Businesses: Taxation - PQ128843, 28 February 2018

> **Asked by Julian Sturdy:** To ask Mr Chancellor of the Exchequer, what assessment his Department has made of the effect of changes to IR35 regulations on small businesses.
>
> **Answered by: Mel Stride :** The off-payroll working rules (sometimes known as IR35), do not affect small business owners who are genuinely self-employed. Individuals are only affected by the rules if they would be employees if engaged directly. The rules were reformed in April 2017 for public sector engagements to address widespread non-compliance. The reform only affects public sector bodies and the agencies or other third parties, who provide labour for the public sector.
>
> The government is evaluating the impact of the public sector reform, including through externally commissioned independent research, which is due to be published this year.

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Tax Avoidance - PQ162078, 17 July 2018

> **Asked by Peter Dowd :** To ask the Chancellor of the Exchequer, what methodology his Department used to calculate the cost of non-compliance with IR35 in the private sector.

Answered by: Mel Stride : The cost of non-compliance with IR35 in the private sector is projected to increase from £700 million in 2017/18 to £1.2 billion in 2022/23.

The costing is an estimate of the tax revenue lost due to companies considered to have taxable income within the scope of the intermediaries' legislation not applying the legislation in full. The costing is underpinned by analysis of Corporation Tax data, Companies House data and Self-Assessment tax returns.

The methodology and assumptions used to produce the estimate are similar to the policy costing for the off-payroll working measure (applying only to intermediary engagements with public sector bodies) announced at Budget 2016, which has been certified by the Office for Budget Responsibility (OBR).

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Tax Avoidance - PQ164537, 19 July 2018

Asked by Ged Killen : To ask the Chancellor of the Exchequer, what assessment his Department has made of the potential increased cost of hiring contractors as a result of the extension of IR35 off-payroll tax into the private sector.

Answered by: Mel Stride : The Government is currently consulting on non-compliance with the off-payroll working rules (known as IR35). As part of the consultation, officials are meeting a wide range of business leaders, representative bodies and other stakeholders.

Once the consultation finishes on 10 August 2018, the Government will consider responses received, including comments raised at meetings with stakeholders, and will issue its response in due course.

The Government is fully aware of the links between the off-payroll working rules and the Taylor review of modern working practices. It has recently consulted on whether and how employment status rules might be reformed in the longer-term.

Any potential impact on businesses will depend on the outcome of the ongoing consultation.

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Tax Avoidance:Written question - 169151, 11 September 2018

Asked by Ian Austin : To ask the Chancellor of the Exchequer, what steps his Department is taking to ensure that the costs of hiring contractors are not increased as a result of the extension of IR35 off-payroll tax to the private sector.

Answered by: Mel Stride : The Government recently consulted on how to best tackle non-compliance with the off-payroll working rules (known as IR35) in the private sector and is considering consultation responses. The impact and effect on businesses will depend on the outcome of those consultations.

HM Revenue and Customs published independent research on the impact of the April 2017 reform to off-payroll working rules in the public sector. The research found that the majority of public bodies have felt little change in either their ability to fill vacancies or the rates paid to contractors.

Link to the independent research:-

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/704931/Off-Payroll_Reform_in_the_Public_Sector.pdf

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Employment: Taxation - PQ182128, 25 October 2018

Asked by Grahame Morris : To ask the Chancellor of the Exchequer, how much HMRC have (a) paid out to individuals overtaxed and (b) written off due to the Check employment status for tax service making incorrect employment status determinations.

Answered by: Mel Stride : The Check Employment Status for Tax (CEST) digital service is a part of a package of guidance and support that helps customers to determine employment status. Its use is not mandatory, however, if it is completed correctly and in accordance with our guidance and HM Revenue and Customs (HMRC) will stand by the result. HMRC has not paid out or written off any tax due to determinations made by CEST.

There are existing processes for workers to review employment status decisions. Off-payroll workers in the public sector, found to be within the off-payroll working rules (IR35), who believe they have been wrongly classified should first take this up with their engager whose responsibility it is to make the determination. The existing process can be found on gov.uk: https://www.gov.uk/guidance/ir35-find-out-if-it-applies#further-help-with-the-off-payroll-working-rules

In the last ten years HMRC has taken twelve IR35 cases to tribunal. They have lost in nine of the cases. The vast majority of the decisions on status are straightforward and do not involve litigation. It is right that HMRC litigates more finely balanced cases, particularly where they are complex or unusual.

Off-payroll working litigation is carried out by a number of HMRC teams. These teams are also involved in other tax litigation and as a result, we do not hold specific information relating to the cost of off-payroll working court cases in the last five years.

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NHS: Tax Avoidance - PQ183335, 29 October 2018

Asked by Grahame Morris : To ask the Secretary of State for Health and Social Care, what assessment he has made of the effect on levels of staffing in the NHS of the IR35 tax changes.

Answered by: Stephen Barclay : No sector wide assessment has been made of the effects on the National Health Service of the IR35 tax changes.

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NHS: Tax Avoidance - PQ193450, 28 November 2018

Asked by Grahame Morris : To ask the Secretary of State for Health and Social Care, pursuant to the Answer of 24 October 2018 to Question 183335, if he will make an assessment of the effect on NHS staffing levels of the IR35 tax changes.

Answered by: Stephen Hammond : As previously advised, all available evidence suggests that there has been no significant impact on the National Health Service of the IR35 changes. Recent HM Revenue and Custom research indicates that 58% of central public bodies have not had problems filling vacancies since the changes and 63% have not seen an increase in rates as a result.

NHS Improvement has confirmed that there has been no significant impact on the NHS of these changes and as such, we have not made a formal assessment of the effect of these changes on the NHS. It should also be re-iterated that NHS Improvement continuously monitors the levels of staffing in NHS trusts to ensure they are able to prioritise patient care.

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NHS: Tax Avoidance - PQ198806, 10 December 2018

Asked by Grahame Morris : To ask the Secretary of State for Health and Social Care, pursuant to the Answer of 28 November 2018 to Question 193450 on NHS: Tax Avoidance, if he will publish a list of the evidence used to inform his Answer that there has been no significant impact on the National Health Service of the IR35 changes.

Answered by: Stephen Hammond : HM Revenue and Customs Research Report 487 'Off-Payroll reform in the public sector' published in May 2018 is the basis for the figures quoted in the answer to Question 183335:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/704931/Off-Payroll_Reform_in_the_Public_Sector.pdf

Although this report is not National Health Service specific it covered the "key sectors of Public Administration & Defence, Education and Health & Social work". As previously advised, the outcomes from this report were that there had not been a significant impact on the public sector of the IR35 changes.

In addition to this, NHS Improvement has confirmed that through discussions they have held with key stakeholders within the sector there is no evidence of these changes having a significant detrimental effect on their ability to recruit temporary workers. NHS Improvement continuously monitors the levels of staffing in National Health Service trusts to ensure they are able to prioritise patient care.

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Tax Avoidance - PQ201166, 17 December 2018

Asked by Alison McGovern : To ask the Chancellor of the Exchequer, what projections his Department has produced of the tax receipts arising from the changes to IR35 rules as announced in Budget 2018.

Answered by: Mel Stride : The off-payroll working reform in the private sector, announced at Budget 2018, is projected to increase tax receipts by nearly £3 billion over the period 2018-19 to 2023-24. This estimate has been independently assured by the Office for Budget Responsibility.

The off-payroll working rules (commonly known as IR35) are in place to ensure that individuals who work through their own limited company (e.g. personal service company) and would have been an employee had they provided their services directly, pay broadly the same tax and National Insurance as other employees.

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Tax Avoidance - PQ214094, 4 February 2019

Asked by Mr Paul Sweeney : To ask the Chancellor of the Exchequer, with reference to the IR35 reforms, how much extra tax is payable by the firm in addition to the fees paid to the worker when a firm classes someone as an employee for tax purposes; and what that tax payable would be for a worker charging £400 per day for their services.

Answered by: Mel Stride : The off-payroll working rules (sometimes known as IR35) only affect people working like employees and through a company. The recent changes to the rules in the public sector, shift responsibility for assessing the individual's employment status from the individual's company to the public authority.

If the engager contracts with the individual's company, the reform also shifts responsibility for deducting the required employment taxes and paying employer National Insurance contributions (NICs) to the engager. Otherwise this responsibility lies with the person paying the individual's company.

The reform does not change the amount of tax payable by the firm engaging the worker. Both before and after the reforms employer NICs is due, and the £1.3 billion raised by 2023/2024 for the Exchequer is from increased compliance with the rules, not from any additional tax.

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Tax Avoidance: Glasgow North East - PQ223171, 25 February 2019

Asked by Mr Paul Sweeney : To ask the Chancellor of the Exchequer, if he will hold a meeting with the hon. Member for Glasgow North East on the effect of the IR35 tax reforms on the personal finances of people living in Glasgow North East constituency.

Answered by: Mel Stride : Unfortunately, the Chancellor of the Exchequer is unable to meet to discuss the off-payroll working rules at this time. The Government will shortly publish a consultation on the reform to the off-payroll working rules in the private sector. Before any legislative changes are made HMRC will publish a Tax Information and Impact Note, assessing the impacts of the policy.

2.3 Select Committee publications

House of Lords Select Committee on Personal Service Companies, *Personal service companies*, HL Paper 160, 7 April 2014

House of Lords Select Committee on Personal Service Companies, *Personal service companies: the Government's response*, Cm 8878, 9 June 2014

Treasury Committee, *Budget Autumn 2017: Oral Evidence*, HC 600, 5 December 2017 (see Qs239-40)

Public Accounts Committee, *HMRC's performance: progress review - oral evidence*, HC 972, 30 April 2018 (see Q2, Qs4-5)

Treasury Committee, *Budget 2018: Oral Evidence, HC 1606, 1 November 2018* (see Q175)

Treasury Committee, *Oral evidence: HM Revenue and Customs Annual Report and Accounts*, HC 315, 21 November 2018 (see Qs249-254)

Treasury Sub-Committee, *Oral evidence: The conduct of tax enquires and resolution of tax disputes*, HC 733, 10 December 2018 (see Qs113-120)

3. Further Reading

3.1 Commons Briefing papers

Personal service companies: introduction of IR35, Commons Briefing Paper CBP914, 6 September 2018

Personal service companies and IR35, Commons Briefing paper CBP5976, 18 March 2019

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National Insurance contributions: an introduction, Commons Briefing paper CBP4517, 17 July 2017

Employment status, Commons Briefing paper CBP8045, 28 March 2018

Tax avoidance and tax evasion, Commons Briefing paper CBP7948, 11 March 2019

3.2 Press articles

"Treasury ramps up the pressure on contractors' tax", *Financial Times*, 12 April 2018

"UK in new crackdown on tax avoidance by contractors", *Financial Times*, 18 May 2018

"Freelancers face higher tax in Treasury crack down", *Financial Times*, 29 October 2018

"Business attacks plan to extend tax rules for self-employed", *Financial Times*, 5 March 2019

"TV star Lorraine Kelly wins tax case against HMRC", *Financial Times*, 21 March 2019

"This week: Condoc on off-payroll rules for the private sector", *Taxation*, 14 March 2019

"Q&A: Off-payroll working in the private sector: further consultation", *Tax Journal*, 15 March 2019

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