

# Open Letter to Jeremy Hunt on behalf of UK contractors and freelancers, the contracting sector and the UK's flexible workforce

June 2019

Dear Jeremy,

We, the undersigned, are writing to you on behalf of the UK's flexible workforce and the UK's important flexible economy. All parties and this Conservative Government should celebrate and support this sector and contractors and freelancers who are vital for many UK businesses.

**However, the sad truth is, that recent policies of this Conservative Government's Treasury, have not supported the sector and the many businesses who rely upon it, but have instead actively undermined it.**

Some recent policies – pushed through, it seems, at the behest of an out-of-control HMRC yet introduced by the current Chancellor and the former Conservative leader – are and will do huge damage to the flexible workforce. We are utterly baffled as to why a Conservative Government, being a party that has historically championed entrepreneurs and businesses, would want to do this.

It is widely recognised that the IR35 legislation introduced in April 2000, by the then Labour Government, was deeply flawed. Yet despite expressing opposition to it – and saying they would reform it – the Conservatives in Government have not only gone back on this promise, but are actually now planning to introduce the controversial 'off-payroll rules' – an effective 14.3% stealth tax on business, the **Off-Payroll Tax**. Not only will this significantly damage UK businesses and the economy, the current proposals are grossly unfair, imbalanced and breach the concept of natural justice.

The idea that flexible workers will be classified in law as employees for tax purposes only, without any of the normal protections and benefits of security is absurd, contrary to the Good Work Plan and is grossly unfair. The extra sums (we call this the "freelancer premium") that firms pay to hire on-demand contingent workers covers their holidays (when contractors/freelancers are not paid) and compensates for the insurance they require against periods of sickness or inability to work for any other reason. It also used by flexible workers to pay into their pensions, which successive Governments have encouraged.

Yet here we have a Conservative Government undermining this important principle by inventing a new employment classification of "employed but with no employment rights" – or as HMRC refer to it, as "deemed employees". This is solely so HMRC can force them into the PAYE system when it is clearly not appropriate nor fair. The main beneficiary being HMRC, who find this an easier system to administer and to collect taxes.

The vast majority of UK businesses are reliant, to some extent, on contractors and freelancers. They often have specialist skills needed for specific projects or for specific periods of time. This allows the flexibility and dynamism which keeps UK businesses competitive and should be something a Conservative Government understands and celebrates.

Instead, through the ill-considered Off-Payroll Tax, this Conservative Government is hell-bent on destroying this competitive edge for the UK. Ripping up this flexibility and dynamism which will damage the economy. It beggars belief.

This is on top of the outrageous and retrospective **Loan Charge**, a shocking changing of the law that barristers and MPs have described as overriding established statutory protections for individuals and undermining the rule of law in order for HMRC to have a second bite-of-thecherry simply because they failed to open tax enquiries over a decade ago – a fact that HMRC admit to.

MPs have been grossly misled by HMRC on the matter of the Loan Charge. The information now being published by HMRC and the Treasury on the Off-Payroll Tax is equally misleading.

**As things stand, I can assure you that the UK's flexible workforce – contractors and freelancers - a group of people that the Conservative party would like to think should be natural supporters, now feel that this Conservative Government are anti-contractors and are waging an HMRC-led ideological war against them.**

We, as organisations who either represent contractors and freelancers, or who operate in this sector, are urging you, as the person who will become the new First Lord of the Treasury, to stop this war on contracting. We urge you to pause, to listen and to change course and suspend and review the Loan Charge and halt the roll-out of the Off-Payroll Tax to the private sector and instead ask the Treasury to sit down and work with the contracting and freelancing sector to look at how best to recognise contracting and freelancing in our economy, to the benefit of all.

**The support of hundreds of thousands of such workers, recruiters and businesses depends on this.**

Yours sincerely,

