



Dear Jesse,

I am writing to you on behalf of the Stop The Off-Payroll Tax campaign and thousands of UK contractors who make a huge contribution to the UK economy, something that we would hope that this Conservative Government should celebrate and support.

Yet instead of doing so, the Government is currently intent on bringing in The Off-Payroll Tax – extending the flawed ‘off-payroll rules’ to the private sector, despite the considerable problems it has caused in the public sector.

We welcome your appointment and hope that, unlike your predecessor, you are prepared to listen and engage and make policy based on evidence – as well as showing that you and the Government value the UK’s flexible workforce, rather than seeking to attack it.

It is widely recognised that the IR35 legislation introduced in 1999 by the then Labour Government was and still is deeply flawed. Yet despite expressing opposition to it – and saying they’d reform it – the Conservatives in Government have not only gone back on this, but are actually now planning to introduce the controversial ‘off-payroll rules’ – which is, in truth, a 14.3% stealth tax on business, The Off-Payroll Tax.

The roll-out of the Off-Payroll Tax will cause huge damage to the UK labour market, some of which has already been realised. Already large companies are telling contractors they will no longer take them on next year, when the Off-Payroll Tax comes in. The double stealth tax – on businesses and contractors will slap a huge 14.3% stealth tax on UK businesses. The ‘fee-payer’ (client or agency) must pay employment taxes on top of the payment made to the contractor. This means additional tax of employer’s National Insurance (NI) (13.8%) and the Apprenticeship Levy (0.5%). As HMRC have clearly spelt out in it’s guidance, these taxes cannot be legally deducted from the current contractually agreed fee with the contractor. Therefore, as things stand, it is a new amount of tax that needs to be paid by the firm hiring the contractor.

The evidence is clear and damning as to the effect the ‘off-payroll working rules’ have had on the public sector, including the NHS. Poor guidance has resulted in thousands of public sector workers being incorrectly or blanket assessed as ‘employed for tax purposes’ which has seen many highly skilled workers abandon the public sector and contracting all together. The Check Employment Status for Tax (CEST) tool created by HMRC has been proven to not work accurately, including in tax tribunals. Plus the misguided Off-Payroll Tax will not bring in anything like the amount predicted by HMRC as companies using contractors will and are changing rates of pay, reducing hiring numbers or moving work offshore. Firms do not have a magic money tree from which to find the extra 14.3%.

The whole basis of the off-payroll rules is based on a fundamental misconception, that someone who is contracting or freelancing is not paying the right and fair amount of tax, when this is simply not the case and the tax rates are comparable to running a limited company.

Plus the idea that flexible workers – who have none of the protections of employment and receive none of the benefits – should be taxed as if they did, is not only absurd, but grossly unfair. The extra sums paid in contractors fees cover holidays (when contractors/freelancers are not paid) and acts as insurance against periods of sickness and inability to work for any reason. It also is for

such flexible workers to pay into pensions, something that rightly successive Governments have encouraged, yet here we have a Conservative Government undermining this by wrongly having such people – who don't get the rights, protections and benefits – being wrongly deemed as 'employees' just so HMRC can force them into the PAYE system when this is clearly not appropriate nor fair.

Many UK businesses large and small are reliant on contractors and freelancers, who often have specialist skills needed for specific projects or for limited periods of time. This allows flexibility and dynamism which keeps businesses competitive and should be something a Conservative Government understands and celebrates. Instead, through the ill-considered Off-Payroll Tax, this Conservative Government seems intent on destroying this and damaging business and the economy as a result.

So the **Stop The Off-Payroll Tax campaign** is reaching out to you as the new Financial Secretary to the Treasury asking you to listen and to engage and to make policy on the basis of evidence, not misplaced prejudice and false assumptions. We hope that you will bring a much needed change to the Treasury and we urge you to halt plans to introduce The Off-Payroll Tax and instead meet with and listen to those operating in the sector and review how best to recognise contracting and freelancing in the economy.

We look forward to hearing from you.

Yours sincerely,

Dave Chaplin
Director, Stop The Off-Payroll Tax campaign
CEO ContractorCalculator