



Open Letter to the *Next* Chancellor of the Exchequer from the Stop The Off-Payroll Tax campaign

9th July 2019

Dear Next Chancellor of the Exchequer,

We are writing to you on behalf of the UK's flexible workforce and the UK's important flexible economy in the hope that you may, unlike the current Chancellor of the Exchequer, stop this Government's **War on Contracting** and agree to pause the damaging plans to extend the controversial and flawed Off-Payroll Tax to the private sector.

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**.

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 wrong, 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.

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.**

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. 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.

We are sorry to say that your predecessor, Philip Hammond, has been a disaster for contracting and for businesses who rely on them. He has gone back on his word, made in opposition, to reform the flawed IR35 legislation then become beholden to an out-of-control HMRC's pursuit of highly skilled hardworking people who are vital to many British businesses and the UK economy. Thousands of contractors and freelancers can't wait to see the back of him and his anti-contractor regime and only hope that you will stop his aggressive attack on contracting and freelancing.

So we are writing to you, in advance of your appointment, urging you to change course – to stop damaging business and undermining contracting and freelancing. We are urging you to listen, make evidence-based policy and stop the HMRC led War on Contracting. We urge you to pause, to listen 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.

Yours sincerely,

Dave Chaplin
Director of the Stop The Off-Payroll Tax campaign