

Urgent open letter to The Chancellor from the contracting and freelancing sector on the IR35 Off-Payroll Tax roll-out

Rt Hon Sajid Javid MP
Chancellor of the Exchequer
HM Treasury, 1 Horse Guards Rd,
London SW1A 2HQ

12th February 2020

Dear Chancellor,

IR35: The off-payroll tax draft legislation

We are a collection of associations, groups and stakeholders which represent the views of the UK's self-employed contractors, freelancers and consultants. **We are extremely concerned by the devastation already being caused by the forthcoming IR35 legislation, due to hit the private sector in April.** We are writing to you now to urge you to suspend the April roll-out, for at least twelve months, in order to prevent the closure of thousands of compliant UK businesses. A delay would also provide time to explore alternative arrangements which would protect the tax base without restricting the flexible labour market and damaging the wider economy.

The draft legislation is already having a catastrophic impact, which you and the Treasury must surely now be aware of. Many large companies (including several major banks, Vodafone and GSK) have announced they will no longer engage contractors out of fear they will fall foul of the notoriously complex legislation. Since then more companies have followed suit. This means genuinely self-employed people are losing work opportunities, while clients themselves are losing vital, flexible expertise.

Hiring organisations find the IR35 rules just as bewildering as everyone else. That is why they are terminating all their contractor engagements. They simply do not want any involvement in the new IR35 regime. Other organisations have correctly assessed that the only way to avoid a huge tax liability, is to declare that all engagements are inside IR35. **This is inevitably resulting in entirely compliant contractor businesses having to close.**

The hiring organisations still need contingent workers to complete projects and it is reported that some companies are avoiding the whole problem and additional costs by engaging contractors in other countries, or that workers are being brought in on Tier 2 visas by abusing the "Intra-Company" transfer rules. There is also a fear that non-compliant umbrella company arrangements are being used to circumvent IR35 which will lead to an increase in the use of disguised remuneration schemes and there could then be a repeat of the awful Loan Charge scandal, something that of course resulted from the original, flawed, IR35 legislation.

Already many contractors are reporting that they have lost their roles, others are now finding it difficult to find new roles. Many are also facing huge cuts in pay and even HMRC own estimates acknowledge that 153,000 people will see lower pay. This will cause hardship for some, especially as by its nature, contracting and freelancing already means periods without a stable income.

What is most worrying of all is that many contract and freelancer workers are effectively being forced into a status of **'zero rights employment'**, where they will be taxed as employees, via PAYE, but without any of the security or benefits of employment, no sick, holiday or maternity/paternity and no pension contribution. This is grossly unfair and must not be allowed to happen. **We urge you to ensure that no-one pays taxes as an employee unless they have the rights and benefits of employment.**

It is now absolutely clear that the impact of this ill-considered legislation is very different from the impact predicted by the Treasury and HMRC. **With so many unexpected consequences already coming to light, it is now, in our view, essential that the government pauses this legislation before it is too late.**

We completely understand the government must do all it can to ensure everyone pays the correct tax, but this is not the way to do it. Delaying for twelve months would provide an opportunity for us to work with government and other experts on devising more transparent, understandable rules that would protect Exchequer revenue while also enabling the flexible labour market to flourish.

You personally promised a review of IR35 legislation during the election (as part of the proposed Government review of self-employment) so it was deeply disappointing when the new Government announced that the roll-out was going ahead anyway. Instead of the review of the law, all we have had is a rushed consultation of the implementation of the roll-out, which is clearly not what you committed to. **We urge you now to have a proper review of the IR35 legislation as promised and halt the April roll-out to allow this to happen.**

We, the contracting and freelancing sector are ready to sit down and work with you to at last work out how best to recognise contracting and freelancing in the tax system, to encourage dynamic, flexible working and providing skills needed by many UK businesses. **We urge you to delay and work with us, before it is too late and the sector – and UK economy – are damaged.**

We look forward to hearing from you,

Yours sincerely,



