



The Off-Payroll Tax (off-payroll working rules) in the Finance Bill

MP Briefing - April 2020

Introduction and Summary

The Off-Payroll Tax - the Off-payroll working (IR35) rules - is tabled for inclusion via a resolution at Second Reading of the Finance Bill on Monday 27th April.

This tax on the self-employed is highly contentious and requires more Parliamentary scrutiny than is currently possible. It's already caused considerable damage, and it's further roll-out will strait-jacket the flexible workforce and UK businesses as we emerge from the Covid-19 crisis and begin to rebuild the economy. As the House of Lords Committee has recommended, it should be postponed.

The Finance Bill and the Off-Payroll Tax

On 17th March the Government announced a 12 month delay to the roll-out of the Off-Payroll Tax to the private sector until April 2021, but are still pushing this into law now, despite the considerable concerns raised across all parties and both houses of Parliament and the negative impact its proposed introduction (previously scheduled for April 2020) has already caused.

They Government have listed the following on the Order Paper for Monday 27th April, the day of the Finance Bill Second Reading:

FINANCE BILL: WAYS AND MEANS Chancellor of the Exchequer

That (notwithstanding anything to the contrary in the practice of the House relating to the matters that may be included in Finance Bills) provision taking effect in a future year may be made amending Chapters 8 and 10 of Part 2 of the Income Tax (Earnings and Pensions) Act 2003.

This is the legislation to be amended to introduce the Off-Payroll Tax - so the Government is planning to introduce this via a new budget resolution at the Second Reading, followed by an amendment at committee stage.

The Leader of the House has stated there will not be any business that requires a division - and therefore the very contentious Off-Payroll legislation should **not** be included at Second Reading because of the concerns MPs have. It should be dropped from the Bill now.

The wrong measure at the wrong time

To be pushing this through, without full proper scrutiny, when many businesses and self-employed people are badly affected by Covid-19, is both reckless and irresponsible. Surely issues surrounding lack-of-scrutiny of Finance Bills have been learnt from the Loan Charge scandal?

The current crisis has exposed the Government's damaging new approach to the self-employed. Covid-19 has highlighted the profound unfairness of the Off-Payroll Tax, which classifies people as 'employees for tax purposes' but without employment rights, namely '**Zero Rights Employment**'.

The Government's current focus should be supportive towards the UK's self-employed and businesses, rather than introducing discredited legislative ideas that will deeply harm the flexible workforce. The economy will rely on the self-employed to rapidly kick start the UK economy after this crisis - making it madness to straight-jacket the flexibility we currently enjoy.

It is simply the wrong policy at the wrong time.

The legislation is flawed and must be halted, reviewed and revised

It's reckless to force this policy through Parliament after having been clearly demonstrated as flawed, with damaging consequences already caused that were not predicted by the Government. These flaws were highlighted by the recent House of Lords Economic Affairs Sub-Committee inquiry into Off-Payroll working in their [letter to the Financial Secretary to the Treasury](#), and their final report is imminent. The letter stated *"we now urge the Government to postpone the eventual implementation of the new rules until it resolves the difficulties that we have identified"*.

We witnessed in the run-up to the expected roll-out in April this year companies terminating self-employed workers, unlawfully blanket assessing them as 'inside IR35' and forcing them into 'Zero Rights Employment'. Corporations also passed on their new employer National Insurance liabilities from the self-employed, effectively double taxing them - resulting in huge drops in pay, equivalent in size to a families monthly mortgage payments. Many larger global firms decided to stop using UK flexible workers at all, and pushed their projects to other countries, meaning a loss to the UK economy, and a loss of tax.

These were all side effects of an ill-considered and half-baked piece of legislation that began to rip through the sector six months before it's live date as firms grappled with it's complexity and unfairness. History will repeat itself in six months time, around September/October, at a time when the UK economy will be facing an uphill struggle to repair itself.

Now that the Government is fully aware of the damaging effects, not predicted by HMRC, it must pause and address these fundamental issues before pushing the measure into law.

The simple fact is that the Government doesn't need to do this now - it could be introduced in a later Finance Bill. The sensible and right thing is to pull it from this 2019-20 Finance Bill, review it properly and give it the due scrutiny it deserves.

The Government shouldn't forcing this through when Parliament can't scrutinise it

Parliament is only operating partially during the Covid-19 crises, making it impossible for MPs and peers to properly scrutinise bills. With significant concern already expressed across both houses full debate and voting is essential for this unpopular policy.

Pushing this through now, with Parliament unable to fully function properly, would be a clear attempt to circumvent proper procedure on the part of the Government.

The Government promised a review of IR35 as part of its review of self-employment

The Conservatives had promised a proper review of IR35 and Off-Payroll as part of their proposed review into self-employment later this year. The Covid-19 crisis has demonstrated the difficulty in even recognising who is classified as self-employed, with many unfairly excluded.

It is therefore vital for the Government to do their review into self-employment and the flawed IR35 legislation, and that this is desperately needed before any further roll-out of the Off-Payroll Tax.

Conclusion - drop the plans to introduce the Off-Payroll Tax in the Finance Bill

The Government needs to drop their plans to force through the Off-Payroll Tax now, knowing it is flawed and without the ability for Parliament to properly scrutinise it - and instead announce when the planned review into self-employment will commence.

This would avoid further damage to the UK's flexible workforce and self-employed people and allow them and UK businesses to concentrate on getting through the current Covid-19 crises and help rebuild and get the UK economy back on track.

Stop the Off-Payroll Tax campaign
21st April 2020