



Stop the damaging Off-Payroll Tax going into the Finance Bill!

Briefing for MPs and peers - May 2020

The Government are STILL pushing the Off-Payroll Tax into the Finance Bill

Despite considerable opposition and a damning Parliamentary report showing that the Off-payroll working rules (changes to IR35) are deeply flawed and damaging, the Government has stated their intention to push them through in the current Finance Bill.

The Off-Payroll Tax means contractors and freelancers are forced into '**Zero Rights Employment**': taxed as employees, but without the rights of employment - sick pay, maternity/paternity pay or pension.

Whilst it's previously planned roll-out to the private sector in April 2020 was delayed at the last minute, it had already caused many contractors to lose work, and projects to move offshore, all causing considerable damage to the economy. A roll-out in April 2021, would require firms to start implementation from September this year, thereby strait-jacketing the flexible workforce and UK businesses as we emerge from the Covid-19 crisis and begin to rebuild the economy.

As a House of Lords Committee has recommended it should be postponed and properly reviewed.

The Message to Government: Pause, Review, Resolve!

In the current Covid-19 crisis and with the legislation shown to be flawed, this is the wrong time to be pushing it through. The Off-Payroll Tax must be **paused**, not go into the current Finance Bill, then the Government should fulfil its manifesto promise to conduct a **review** into self-employment, including IR35, and then finally **resolve** the issues uncovered and explained in the Lords Report.

The Damning House of Lords Finance Bill Sub-Committee Report

The House of Lords Economic Affairs Finance Bill Sub-Committee published their powerful report ***Off-payroll working: treating people fairly*** on Monday 27th March 2020, which exposed the many flaws in the proposed legislation. The report said the proposals were built on a flawed system - IR35 - then criticised the Government for severely underestimating the business implementation costs, for dismissing concerns raised by stakeholders, and for not properly analysing the unintended behavioural consequences of the proposed legislation.

The report said it was likely the changes will cause widespread disruption and create an unfair 'halfway house' of "zero-rights employees".

Lord Forsyth of Drumlean, Chair of the Committee, said "Our inquiry found these rules to be riddled with problems, unfairnesses, and unintended consequences. The potential impact of the rules on the wider labour market, particularly the gig economy, has been overlooked by the Government. It must devote time to analysing all of this. A wholesale reform of IR35 is required".

The report recommended a review, leading to a decision by October 2020, rather than pushing the measure through now. The Committee also wrote a [letter to the Financial Secretary to the Treasury](#) saying "*we now urge the Government to postpone the eventual implementation of the new rules until it resolves the difficulties that we have identified*".

The wrong measure at the wrong time

To force this discredited and damaging legislation through now when so many businesses and the self-employed are economically wounded by Covid-19 is both reckless and irresponsible. Instead, the Government should be supporting the UK's self-employed and businesses. The economy will rely on the self-employed to kick start growth after this crisis - making it madness to apply a strait-jacket now.

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. The measure and legislation is still flawed - and merely delaying its start date doesn't change that. The Government is planning to reintroduce this via a new budget resolution, before the Committee Stage of the Finance Bill. This must be opposed so the measure can be reviewed and changed.

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

Page 34 of the Conservative manifesto says ***"We will therefore launch a review to explore how we can better support the self-employed"***. The former Chancellor then made clear this review (which has not yet happened) would include a review of IR35 and the off-payroll changes. In an interview with Paul Lewis on BBC Radio 4 programme MoneyBox on Saturday 30th November he stated ***"We've already said that we're on the side of self-employed people. We will be having a review. I think it would make sense to include the proposed IR35 changes in that review."*** He then made clear the commitment for the Government to include the IR35 off-payroll changes in the review of self-employment in a tweet later that day when he stated, ***"We're committed to helping the self-employed, that's why we're going to review what more we can do. As I told @paullewismoney, our review *will* include planned reforms of IR35"***.

So it is clear and unequivocal that the Government committed to review the Off-Payroll Tax as part of the review into self-employment, which must happen **before** the roll-out is made law.

The Off-Payroll Tax has ALREADY caused real damage

It's reckless to introduce this when it has **already** been shown to have damaging consequences, not predicted by the Government. In the run-up to the expected roll-out in April this year, companies began terminating self-employed workers, unlawfully blanket assessing them as 'inside IR35' and forcing them into 'Zero Rights Employment'.

Corporations also passed on their new tax liabilities to their workers, resulting in huge drops in pay, equivalent in size to a families monthly mortgage payments.

Many larger global firms decided to stop using UK 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 inevitable side effects of this 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.

Unless pulled from the Finance Bill, 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.

The Government shouldn't be 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 avoid proper scrutiny.

ACTION: Encourage removal from this Finance Bill and a proper review

It's unjustifiable to force this flawed legislation into statute now - there is time to **pause, review** and **resolve** the issues leading to better support of self-employed people. The sensible approach is to remove it from this 2019-20 Finance Bill and instead announce when the promised review into self-employment and IR35 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 get the UK economy back on track.

Stop the Off-Payroll Tax campaign
1st May 2020