

NAO IR35 review: an overhaul of Off-Payroll is needed

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Commenting on the results of the National Audit Office's (NAO) investigation into the implementation of IR35 tax rules, Tania Bowers, Global Public Policy Director at APSCo commented:

"It is encouraging to see that the independent public spending watchdog's report revealed issues that APSCo has raised since the roll out of IR35. We were disappointed to see the suggestion from HMRC's own review into the long-term effects of Off-Payroll rules that the impact was 'minimal', as this doesn't correlate with what we're seeing through our members and in our collaboration with the IR35 Forum.

"We agree with the sentiment from the NAO that the reforms had been rushed, which has led to a number of issues since its implementation. APSCo, along with a number of other stakeholders, has been vocal on the limitations in the reforms. In particular, Off-Payroll is in breach of HMRC's duty to tax fairly, which is particularly evidenced in the fact that NAO's investigation suggests more tax is being collected than is due. While the contractor is being offered overpayment relief, no relief is available to the Deemed Employer.

"These concerns have been further ratified in a Letter of Findings from the House of Lords on the Finance Bill Sub-Committee in which the point was made that it is unfair for individuals to be taxed as employees without access to the rights associated with this employment. We agree that consistency is needed to balance the consideration of both tax and employment rights.

"We also welcome the suggestion from the House of Lords that CEST needs to be overhauled in conjunction with the IR35 Forum to ensure it is fit for purpose. It's our view that an overhaul of employment status law in tax and rights is essential and that it needs to be fit for a 21st century labour market."

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