

FLEXIBLE WORKING MODEL UNDER THREAT BY NEW GOVERNMENT PROPOSALS

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The Government's new proposals suggesting that some professional contractors – those termed 'controlling persons' have income tax and national insurance deducted at source - i.e. that they be taxed as an employee- even if they are working through a personal services company - will not only have a hugely detrimental effect on the professional flexible staffing sector but will also result in increased costs for UK employers at a time when many businesses are struggling with the current realities of the economy.

That's the message from The Association of Professional Staffing Companies (APSCo) and the Institute of Interim Management (IIM). "Yet again, the professional staffing sector and UK employers are in danger of suffering collateral damage in the Government's broad brush approach to employment legislation", says Ann Swain, Chief Executive of APSCo. These professional contractors are not the 'fat cat tax avoiders' referred to in recent press reports but are skilled professionals working on short term projects for organisations undergoing change management programmes, turnarounds or other business critical issues."

The difficulty stems around the Government's incorrect assumption that a 'controlling person' being someone who has managerial control over a significant proportion of employees and/or control over a significant proportion of the company's budget must be an employee. Additionally, the Government believes that there is an established and growing problem of individuals working through personal services companies to disguise employment, basing this supposition on the misguided belief that when IR35 legislation was introduced 12 years ago, it was unusual for a senior/controlling person to be engaged through their own limited company.

"Assuming that all controlling persons are in fact employees is a fundamentally flawed argument as it takes no account of the professional interim market," says Ann Swain. "Additionally, the frankly bizarre conclusion that the increase in individuals using personal services companies is related to a deliberate attempt at disguising employment status is also flawed. There has indeed been an increase in the use of personal services companies by professional contractors operating at a senior level - but this is directly related to the growth of the interim market. According to a recent Ipsos MORI Survey the amount of business generated by the interim management sector has jumped 93% in the past five years which, given the Government's agenda for growth, should be applauded rather than penalised."

Ad van der Rest, co Chairman of the IIM agrees: "These proposals are ill considered, they attempt to address the wrong problem and they threaten to damage the UK economy by freezing out a vital community of interim executives who are just the sort of flexible leaders that are needed in the current climate. Senior interim executives undertake engagements, often in turnaround and crisis situations on finite contracts and carry out assignments as independent businesses moving from engagement to engagement. The implication that all senior interims are in some way trying to evade their legal obligations by hiding behind personal service companies is perverse and the notion that an independent professional providing business services should be debarred from their professional trade on the basis of their seniority is illogical and anti-business."

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