

Research reveals UK plc confused about new tax rules

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Research out today has revealed that only 35% of UK hirers are fully conversant with the pending Travel & Subsistence (T&S) regulations with 38% of operational teams claiming to be fully up to speed compared to only 14% of HR respondents.

The research, conducted over the last two months by a collaboration of trade and professional bodies, the FCSA, CIPD, CBI and REC, sought to gauge the levels of awareness of the new tax legislation amongst end hirers, how they would respond and how the new rules would impact their hiring decisions when the new regulations come into effect in April. 470 hirers responded to the research across all sectors and disciplines.

Other key findings revealed that:

92% of organisations that hire freelancers and contractors will not be compensating all workers for their financial loss that changes to Travel & Subsistence (T&S) tax offset rules will present. This comes despite the Government suggesting that it “expects business to pay a wage sufficient to attract workers without any special tax subsidy being necessary”.

79%+ of end hirers who plan to keep rates static believe that their decision will have a negative impact on workforce flexibility (79%), competitiveness (80%) and their ability to attract and retain staff (86%).

In essence, the research revealed that in 95% of hirers engaging umbrella employees and PSCs, all or some of these individuals will be impacted. For the 71% of end-hirers who have already determined which roles will be subject to supervision, direction or control (SDC), thereby removing the potential for those workers to offset T&S expenses against tax, more than a quarter (27%) know that this will be the case and three in ten (29%) believe it will be the case for most people. Just 5% think that all workers fall outside SDC, leaving 39% truly determining the nature of the working relationship on a case-by-case basis

With less than two months to go before the legislation takes effect, one third of respondents are yet to determine what they will do for their umbrella and PSC workers. Those who understand what the T&S rules mean believe that the legislation will reduce their organisations’ flexibility significantly and will also reduce the quality of available contractors to call upon. Alarming 14% of hirers said that they will use fewer umbrella employees/PSCs as a result of the changes.

Commenting on the findings, Julia Kermode, CEO of The Freelancer & Contractor Services Association, the UK’s independent trade association whose members provide professional support services to freelancers and contractors said: “It is clear that, whilst the UK government believes in the principle of hirers paying ‘a wage sufficient to attract workers without any special tax subsidy being necessary’, UK plc does not currently have the bandwidth to absorb the significant cost implications of this legislative ruling.

“As individuals will be impacted in 95% of UK workplaces that use umbrella employees and/or PSCs, the findings of this research should give employers and government alike notable cause for concern.

“We will present a report of our findings to David Gauke MP, Financial Secretary to the Treasury, the minister responsible for the reforms. We will also be raising awareness of this important evidence with other MPs and key policymakers.”

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Notes to Editors

About FCSA:

The Freelancer & Contractor Services Association is the UK’s leading independent trade body for umbrella employers and accountancy service providers supporting the flexible workforce. According to recent ONS figures, in the region of 20% of the UK workforce have chosen an alternative to permanent employment, and are working as freelancers, contractors, or through their own limited company.

In an unregulated industry, FCSA works to protect contractors and freelancers by only endorsing the most scrupulous and compliant businesses in the UK to support them.

The laws governing the flexible workforce are complex, with numerous financial, tax and legal regulations to adhere to, and there are a large number of service provider organisations that support these workers. Through its code of conduct, FCSA sets the standards for the service provider sector, and ensures that Full Members operate legally, ethically, and manage all liabilities properly.

By choosing to work with an FCSA Full Member, agencies, hirers, contractors and freelancers can be assured that they are supported by a firm that operates at the highest level of regulatory compliance and ethical standards in the UK.

FCSA Full Members:

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