

Some locum doctors will need a 50% pay increase to take home the same earnings after tax as IR35 reforms take effect

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On the day that new IR35 legislation comes into effect in the public sector, contracting expert Dave Chaplin, CEO and founder of Contractor Calculator (<http://contractorcalculator.co.uk>) says that some locum doctors who work as husband and wife teams will need a 50% pay increase to earn the same after the new taxes have been applied.

Chaplin points out that there are husband and wife teams where one is the locum who earns the fees (say £65 per hour) whilst the other takes care of all the administration, accounting, agency liaison and legal contract work. Between them they jointly own the limited company and share the income they receive. They will now need to raise the rate of the locum by 53% to earn the same money after tax if the locum is now classed as being caught by IR35. Chaplin argues that the NHS is not being held to ransom as NHS Improvement's chief executive Jim MacKey suggests but that locum doctors are simply quoting new rates to take account of the new changes and to ensure they take home the same earnings after tax as before.

Commenting, Chaplin said: "Increasing the locums' rates is, for Government, actually a tax neutral measure. The NHS hands that extra money to the locums, and they hand it straight back to the Treasury via the extra taxes. Provided the Treasury then circulates it back to the NHS there will be no change.

"And if the Treasury doesn't hand the money back to the NHS, you'll see a massive drain on the already stretched NHS. They will be the losers. These IR35 reforms could end up being a massive tax on the NHS."

A report out today in the Telegraph states that a number of locum doctors have not been turning up for their shifts in protest against the new legislation:

<http://www.telegraph.co.uk/news/2017/04/05/locum-doctors-accused-organised-campaign-hold-nhs-ransom/>

Chaplin added: "The NHS wants to have its cake and eat it. The whole point of temporary working is that it is just that. There is no obligation on either party. They are used on an on-demand basis. If you want people to be available when you want them, then you need to hire them as employees and provide them with all the rights and benefits that come with employee status. The NHS is expecting these locums to work when they want them to – which is how employees work – and to make them pay taxes as employees. It is not acceptable and this is just the tip of the iceberg as more chaos will unfold and HMRC's poor implementation has been the catalyst for that chaos.

"83% of locums who have taken an employment status test at IR35Testing.co.uk have been given a result that they are caught by IR35. 69% of those who are working in the NHS get a result indicating they are caught by IR35 and 31% should be outside. So, 30% of those NHS contractors who are being told they cannot work outside IR35 are being misled and forced into false employment, paying employment taxes, but not getting any of the rights. The result is an exodus of talent and a shortage of staff. We are seeing a mess unfolding as public sector hirers grapple with the new legislation and contractors and others in the supply chain are being thrown into turmoil due to the uncertainty being created by these reforms. All of this could have been avoided if HMRC had actually listened to stakeholders."

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NOTES FOR THE MEDIA

About ContractorCalculator.co.uk

ContractorCalculator is the leading independent website for the UK contracting industry, offering a comprehensive range of financial, salary and tax calculators, along with a quality news service and expert commentary from industry leaders.

The site regularly receives over 100,000 visitors every month, composed largely of highly skilled workers in the information technology, engineering, energy, oil & gas, finance, media and marketing, interim management and construction.

There are 1.56 million such workers in the UK today who prefer to run their own businesses and work under contract rather than become employees of specific companies. Their contribution to the economy is crucial to keeping UK businesses competitive.

About Dave Chaplin, ContractorCalculator CEO

Whilst working as an IT contractor for various blue chip clients in London's finance sector, Dave Chaplin founded ContractorCalculator. Applying 30 years of software and IT solutions development experience, 17 years knowledge of employment case law and two maths degrees, Dave and his team have developed the most comprehensive IR35 testing tool on the market. Since its original inception in 2009, the test has been conducted by contractors in excess of 100,000 times.

About ContractorCalculator.co.uk's Online IR35 Test

Our Online IR35 Test was designed and built by ContractorCalculator in 2009. This followed extensive research with experts in employment law, contract law, taxation and IR35 and the expertise acquired over ten years of monitoring the IR35 legislation.

Underpinned by a powerful bespoke algorithm developed by ContractorCalculator CEO Dave Chaplin, the test has been recently enhanced and contains 101 questions. The algorithm factors in case law and the relative importance of the key tests of employment, and is frequently fine-tuned in accordance with the latest

IR35 tax tribunal outcomes.

The test gives a result on a 19 point scale, with each number falling in one of the following sections: Fail, borderline fail, borderline, borderline pass, pass. The test has been used over 100,000 times since its original inception, and we are confident that it provides the most comprehensive IR35 assessment available.