Treasury is considering extending ‘Off-Payroll’ rules to the private sector - APSCo Responds

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Following changes to IR35 legislation in April this year, when hirers in the public sector became responsible for determining the status of an assignment to supply services through a Personal Services Company (PSC), Government sources have implied that the new rules may be extended to the private sector.

Financial Secretary to the Treasury, Mel Stride, said in an interview with the FT this week that there was an "issue of fairness" in deciding whether to apply the same rules to the private sector as now exist in the public sector. He added that, “The public sector has undergone a behavioural change which means we are seeing far fewer [workers] offer their services through service companies and yet the private sector is able to carry on with that behaviour unchecked.”

Recent research (http://www.apsco.org/article/public-sector-bearing-brunt-of-new-tax-rules-3349.aspx) by APSCo found that 45% of professional recruitment consultancies have witnessed the costs of resourcing contractors within the public sector increasing since the new rules were introduced in April this year. Of these, 46% reported that rate rises were in excess of 15%. Furthermore, 78% of respondents agreed that the extension of the IR35 Off Payroll rules to the private sector will impact the ability of the UK economy to source flexible labour.

Responding to this revelation, Samantha Hurley, Director of Operations at the Association of Professional Staffing Companies (APSCo (http://www.apsco.org)), said:

“We have long assumed that HMRC is continuing to consider an extension of the Off Payroll rules into the private sector. However, like our members, we believe that this will have an adverse impact on the strength of the UK’s labour market and wider economy.”

“Mr Stride has said that efforts to improve compliance in the public sector appeared to have had a “significant impact”, highlighting how 90,000 additional public sector workers have been taxed as employees in the three months after the reforms were introduced in April. However, he has conveniently glossed over the fact that these individuals are likely to be charging higher rates for their services as the market adjusts by passing on additional tax and NI costs to the public sector client. Therefore, the cost to the public sector for the same resource is greater than before.”

“We all pay taxes and subscribe to the fact that taxation should be fair, but there is little doubt that the Government is approaching this issue from a position of assuming that all self-employed workers are avoiding taxation, which is simply not the case.”

“There is no doubt that such changes will have a significant impact on the dynamics of the UK flexible labour market, and cause damage to client organisations and contractors at a point when Brexit and EU negotiations are critical for UK business and jobs confidence. Flexibility is key to the competitiveness and the future growth of our economy.”

“Self-employed contractors are a vital resource to the UK economy and to undermine this sector would

cause significant damage at a point of uncertainty and instability. The Government is trying to compare ‘apples with pears’. A self-employed contractor does not have guaranteed continuity of work or benefits associated with ‘employee status’, such as sick pay, and so it is inappropriate to tax them in the same way.”

“We believe that a move to change legislation on off-payroll in the private sector at this time is ill-conceived, and for the Government to take this step would be immensely damaging to the professional flexible labour market and wider UK economy.”

- Ends

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