IFA REPRESENTATION 02/18

HMRC and HMT: Off-payroll working in the private sector

The IFA welcomes the opportunity to comment on HMRC's and HMT's consultation on Off-payroll working in the private sector published on 18 May 2018.

We would be happy to discuss any aspect of our comments and to take part in all further consultations in this area.

Institute of Financial Accountants
Member of the IPA Group
CS111, Clerkenwell Workshops
27-31 Clerkenwell Close
Farringdon, London EC1R 0AT
T: +44 (0)20 3567 5999
E: mail@ifa.org.uk
www.ifa.org.uk

Established in 1916, the Institute of Financial Accountants (IFA) is an internationally recognised professional accountancy membership body. Our members work within micro and small- to medium-sized enterprises or in micro and small- to medium-sized accounting practices advising micro and SME clients. We are part of the Institute of Public Accountants (IPA) of Australia Group, the world's largest SME-focused accountancy group, with 35,000 members and students in 80 countries.

The IFA is a full member of the International Federation of Accountants (IFAC) the global accounting standard-setter and regulator and is an awarding organisation recognised by Ofqual, the UK public body responsible for maintaining and monitoring standards for general and vocational qualifications and examinations. We offer a programme of professional qualifications and education as well as resources, events, training and seminars.

We are recognised by HM Treasury and the Financial Services Authority in the Isle of Man to regulate our members for the purposes of compliance with the Money Laundering Regulations.

Abbey Tax is a provider of insurance and consultancy services provided largely via accountancy practices and trade associations looking to offer protection and additional services to their clients and members. Our team of advisers and consultants is staffed almost exclusively by ex-Revenue Inspectors and ex-VAT officers. Our primary role is to ensure that customers get best advice and can afford the best defence in the event that their clients are investigated.

Abbey Tax also provides a range of services in connection with status generally and IR35 specifically, engaging with thousands of contractors, agents and advisers annually. We therefore have significant experience in advising on, and dealing with, compliance matters and enquiries relating to IR35, as well as having an in-depth understanding of the practical issues relating to this Consultation Document.

For more information, please contact the IFA mail@ifa.org.uk

www.ifa.org.uk

General comments

The Institute of Financial Accountants (IFA) has worked with tax specialists Abbey Tax to survey its members in respect of the Off-payroll working in the private sector consultation and the three options laid out by HMRC. Members were asked wide-ranging questions from whether there should be an alignment of IR35 between the private and public sector – 42% felt there should, but most were in favour of scrapping the legislation and starting again (a theme running throughout the survey) – to the effects that alignment would have on members in business that might be engagers and members in practice who genuinely felt that the changes would have a negative effect on their firms.

The members were also less enthusiastic about alignment because they felt that the public sector is inherently different to the private sector, and has less concerns about costs. Whilst we recognise from one of the respondents to the IFF research commissioned by HMRC that a side effect of the public sector changes was the recognition of needing to control spending (5.18), almost every respondent to the IFA survey believed the cost of doing business would increase (see response to Q11 below).

Moreover, IFA members also pointed to the fact that in recent years, we have since witnessed further restrictions to the benefits of contracting: the office holder rules were tightened, which will have come as a blow to many interims; contractors "caught by IR35" could no longer claim travel and subsistence for their commute; the new dividend tax regime was introduced and has become even more restrictive; the changes to entrepreneur's relief; changes to the VAT Flat Rate scheme and so on.

The question being asked were less do we really need more IR35 legislation nor do we need a complete overhaul of IR35. Indeed, one respondent suggested that we should await the outcome of the self-employment consultation and implement the Taylor Report in full before making any changes at all.

Nevertheless, the IFA acknowledges the size of the issue facing HMRC in respect of IR35 non-compliance generally and in the private sector specifically. The fact that HMRC estimates that only 10% of PSCs that should apply the legislation actually do so was amply demonstrated by HMRC's testimony to the House of Lords Select Committee in February 2014, which stated that it believed that there were 265,000 PSCs of which about 10,000 were declaring themselves as "caught by IR35".

Like many in the accounting and tax professions and acknowledged in the consultation, there is a perceived low risk of being non-compliant. When the Intermediaries Legislation came into force in 2000, there was widespread concern in the PSC market about IR35, which seemed to be backed up by significant compliance activity.

In the tax years 2002/03 and 2003/04, there were over 1,000 IR35 enquiries when the number of PSCs was considerably fewer than it is now. This activity has fallen away at the same time that the number of PSCs has increased tremendously. HMRC notes in the consultation that there are four times as many one and two director limited companies; yet, even if you ignore the years of 2008/09 to 2011/12 where the combined total of IR35 enquiries for the four years was only 119, the generally accepted figure is that there are around 250 IR35 enquiries per annum.[1] Logically therefore, more enquiries would also improve tax collection because more people would take the rules seriously.

The answer would be to do more enquiries and to train HMRC staff to become better at undertaking this type of work. This view was echoed by the membership survey and one does

[1] Enquiry figures from this article: https://www.contractoruk.com/news/0011917taxmans_ir35_enquiry_yield_drops_61_percent.html

not have to be an IR35 specialist to recognise that over 96% of contractors are not genuinely operating outside of IR35 – indeed a rudimentary analysis of the contract reviews undertaken by Abbey Tax establishes that those operating "outside of IR35" is much closer to HMRC's belief that approximately a third of the contractor population should be treating their engagements as "caught".

Both the IFA and Abbey Tax appreciate that the consultation offers three options and we will seek to respond to the specific questions on each below, but as HMRC has acknowledged that the lead option is to bring the public sector rules on IR35 into the private sector, this will be the main focus of our responses.

In doing so, we would like to raise a number of concerns that we have about the way that the consultation has been framed and that we consider some of the rationale behind and the context (section 3 of the consultation) for the change to be HMRC's perception rather than reality. We also felt that not only did the evaluation of the outcomes of the public sector changes (section 4) not ring true with the wider contracting and professional services market, but was also undermined by many of the quotes recorded by survey respondents to the IFF research. Furthermore, we are of the view that it too early to assess the impact of the public sector off-payroll changes as there has not yet been a full year's cycle of compliance. PSC accounts and corporation tax computations and worker's self-assessment tax returns are not yet due for submission and HMRC has yet to issue workers' end of year tax calculations. To support the roll out of IR 35 to the private sector we strongly recommend that a full review be undertaken rather than an initial evaluation.

We are also concerned that the consultation does not explain how an appeal process might work. It is our understanding that this would be done via a self-assessment return and that there is no other formal appeal process to HMRC regarding the matter. If this is the appeal process, it should be made explicit in the guidance associated with self-assessment returns and elsewhere in gov.uk.

Areas that we would challenge start with the implication within section 3 that the growth of one and two director companies was responsible for much of the tax loss identified in the consultation's introduction. No-one would deny that there are tax benefits to businesses and their participators by incorporating (paragraph 3.3), but this has also been driven by Government policy such as the 0% CT band on the first £10,000 of CT profits introduced in April 2002. There was also no real recognition that market forces in both the private and public sectors have dictated the use of PSCs (the BBC would be a good example); i.e. it is not all down to unscrupulous employers (paragraph 3.4).

We were also disappointed that the consultation did not make it clear whether the 5% expenses deduction allowable in the private sector would continue if the public sector rules transfer to the private sector; or whether it would cease to allowable as is now the case in the public sector. We raise this point because the Illustrative Example 1 at paragraph 3.5 acknowledges that Charlie's company can claim the 5% deduction. However, if this will not be the case in the private sector, then this example is more than a little misleading.

We noted at paragraph 3.14 that HMRC believes it has improved guidance about IR35 in the private sector – not a view shared by the survey respondents who advocated better understanding across the whole supply chain as well as simplification of the rules.

We were also frustrated to find that the consultation did not consider a full evaluation of the CEST service and there were no questions within the consultation addressing the service. We are aware that since the consultation, HMRC has sought to respond to the issue that the test has

ignored mutuality of obligations (MOO) by publishing the IR35 Forum – HMRC paper on MOO which does not appear to be supported by any of the other Forum members.[2]

HMRC's opinion appears to be that MOO is little more than offer, acceptance and consideration; i.e. work for wages. On this basis HMRC has argued that MOO exists in every contract. Yet tribunal cases have argued that MOO is more than this and requires an ongoing obligation for work to be offered and accepted; i.e. there is a higher level of mutuality to be considered, which should form part of the test.

In the IFA member survey, respondents noted that there was no MOO built into the test and of the almost 60% of the respondents who had used the test, the comments were less than positive with one noting that "it can be manipulated quite easily to give the desired result and doesn't seem to take into account the complexities of the law". We would heartily endorse this view! Furthermore, in too many cases CEST does not make a decision.

We are particularly critical of some of the comments in section 5 which dealt with the compliance challenges and specifically:

Needing to deal with each PSC individually

We can appreciate the administrative burden of dealing with each PSC and each engagement separately; yet not only is that a requirement of the Intermediaries Legislation, but it is also what HMRC will expect the private sector to consider if the preferred option to align with the public sector rules is brought in.

So unless, there is a change in legislation, this situation cannot change. However, it is much more than an urban myth – despite protestations to the contrary in the consultation – that public sector bodies have taken a blanket approach to engagements and declaring them as "caught". The initial approach by Transport for London being an early example. What is not clear is whether this approach has been taken to reduce the admin burden or for fear of getting the decision wrong (possibly under pressure from agencies to take the less controversial "not caught" route).

However, what is clear is that for similar reasons this might be repeated in the private sector and survey respondents identified the mis-classification of engagements as caught as a significant risk to the idea of making end clients determine status. Indeed, the underlying message from HMRC is that blanket decisions would suit its purposes.

Perceptions about HMRC enquiries

In addition to our earlier comments that a greater frequency of enquiry coupled with better trained staff, we felt that the comments about "IR35-proof contracts" and the sale of (tax losses) insurance were almost red herrings.

A well written contract is not enough in isolation: the clauses are not supported in practice, the clauses are considered 'sham' clauses, and will not add weight to any argument that an engagement is outside of IR35. In judgement of *Jensal Software Ltd v HMRC* TC/2017/00667 issued in May of this year, Judge Jennifer Dean said clarified that all factors must be considered and she cited several cases which had come to the same viewpoint.[3] The judge also referenced the tribunal decision to *Autoclenz v Belcher*, which specifically addressed sham contracts. We felt

[2] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/722316/HMRC_paper_on_Mutuality_of_Obligation.pdf

[3] *Usetech Ltd v Young* 2004 – an evaluation of all the circumstances is required; *Primary Path v HMRC* 2011 – the terms of all the contracts must be considered; and *Hall v Lorimer* 1994 – painting the whole picture.

that this assertion about IR35 proof contracts was not helpful, as HMRC is fully aware that a contract is only relevant if it is supported by the actual arrangements.

In respect of (Tax Losses) Insurance, there were two considerations which were completely ignored. PSCs purchase Tax Losses Insurance because they are concerned that despite having undertaken due diligence, there is always a risk that HMRC might be able to successfully argue otherwise. The Independent review is only an opinion. Secondly, providers of Tax Losses Insurance will only do so after a contract review, which deems the engagement to be “not caught by IR35”. In that sense the contract review becomes like an MOT; no insurer will insure a car that has not passed its MOT. It follows that purchasing insurance is not a substitute for proper due diligence.

It is our understanding that a significant amount of support was provided to HMRC to help the public sector implement IR35. It is imperative that HMRC considers the timing and availability of resources by HRMC to support SMEs with the implementation.

Finally, this consultation could have been an opportunity for HMRC to offer greater clarity on how one should account for a “caught engagement” in the PSC. The advice which HMRC offered in the technical guidance to the public sector changes seems to be completely at odds with the Companies and Taxes Act and financial reporting standards by stating that one should only acknowledge the net payment in the PSC accounts. Accounting by the PSC is still an issue. The gross invoice received, including VAT, the net amount paid to the worker and the resulting VAT and PAYE deductions do not reconcile, creating difficulties for accounting systems. This should be resolved before any changes are introduced in the private sector. Perhaps we can expect better guidance when HMRC reports back with its consultation results?

Specific questions

The compliance challenge

Q1. What could be done to improve the compliance enquiry process to reduce non-compliance, whilst safeguarding the rights of customers?

More enquiries by better trained staff aligned with better education. However, all the evidence suggests that HMRC is not willing to invest in the resources to police IR35 as it currently stands in the private sector and so the lead option to align the private and public sectors is surely an acknowledgement by HMRC that IR35 cannot be properly enforced and that it is essentially seeking to bypass the intermediaries legislation altogether.

IFA member respondents even questioned whether HMRC would have the resources to police the alignment if implemented.

Extending the public sector rules to the private sector

Q2. Could the public sector regime better fit the needs of businesses? How?

The public sector has larger entities than in the private sector and because there are few requirements to achieve profitability imposed upon the public sector; services can be simply cut when the budget is not available without the commercial concerns of competition and survival.

The private sector has many more small and micro businesses whose business plans are reliant on outsourced services at different stages in their lifecycle. Unless, HMRC recognises that the costs (both time and money) associated with the administrative burdens of extending the public sector rules to small business (and there are almost 5 million self employed in this country), it runs the risk of strangling a large proportion of small UK businesses in unnecessary red tape. Furthermore, there are some practical considerations to consider for SMEs such as customisation of payroll and benefits software for deemed employees and access to legal and employment specialists. Unlike public sector bodies, SMEs may not have tax and employment specialists to call upon for advice and support. Would this advice and support be provided by HMRC as was the case when IR35 was implemented in the public sector? Does HMRC have the resources to this given their other priorities?

A number of members thought that the focus should be on sectors where large numbers of contractors are used and consider a small business exemption from these rules.

Q3. What if any, changes could help make the administration as simple as possible?

Better guidance on the accounting principles for engagements which are caught.

Q4. If the private sector rules were changed, do you have any evidence that there are parts of the private sector where the administration of any regime may need to vary even though the basic principles including for determining status, remain the same?

Members felt that small businesses might be unfairly disadvantaged by the additional administrative burden and a small business exemption should be introduced.

Q5. Is there any evidence that parts of the private sector will not have, or be able to acquire the administrative capacity, knowledge and resources to enable them to implement any changes in relation to off-payroll workers?

Members of the IFA believed that for some smaller businesses engaging contractors would find the burden significant. Whilst there is expertise within the membership in practice to assist, it was felt that this would be low value administrative work which would not be profitable and prone to cost cutting. As a result the quality or availability of advice for small businesses could well be limited.

Q6. How could these difficulties be mitigated?

Small business exemption.

Q7. What aspects of policy design might be adjusted if similar changes were brought in for the private sector? Should we bring in a specific penalty if agencies fail to comply?

It is difficult to perceive a situation where an agency would overturn a ”caught” decision by an end client and pay gross for fear of being left with the tax liability. For this reason alone, there probably does not need to be a penalty regime over and above that already in place when HMRC undercovers non-compliance (see also response to Q8).

Q8. What action should be taken in the case where the fee-payer hasn’t acted upon the client’s conclusion that the worker would have been regarded as an employee for income tax and NICs purposes if engaged directly? Should an obligation be placed upon the fee-payer to adopt the client’s conclusion and there be sanctions for failing to do so?

This will, of course, depend upon whether the client has made the correct decision! However, based on the public sector experience, agencies have been only too keen to adopt the client’s ‘caught’ decision. Furthermore, where the agency is paying the PSC, it has the liability as fee-payer; why would it overturn the client’s decision and make itself liable for the tax.

Therefore, it is unlikely that the obligation would be needed.

Q9. What action should be taken if the worker or PSC is knowingly receiving income that has not had the right amount of tax and NICs deducted?

This would require the PSC to have a better understanding of the legislation than either the agency or end client above it in the contractual chain. However, if the legislation is implemented into the private sector and confers the decision-making responsibility upon the end client; should it be the legal responsibility of the party in the contract with potentially the weakest negotiating position and least access to legal advice to point out the end client’s failure?

If, however, this became a legislative requirement, then in the interest of fairness, the PSC should have a legislative right to appeal the decision when tax and NICs are being deducted when it is patently clear that the wrong status decision has been reached.

Q10. What systems and process changes would businesses need to make?

The same as those in the public sector. If the spirit as well as the letter of the law is to be enforced, then the end client will need to have access to advice and personnel to review contracts; ensure that not only HR, but the individual managers understand the processes that need to be considered before a decision is reached. These might include project specifications; completing working practices questionnaires that are signed off by PSC, agency and end client. Regular reviews of engagements as they nature of the relationship can change over time.

A good example of what might be involved is from two of the interview responses to the IFF Research at paragraph 8.38:

"It's not something I've accounted for time-wise ... About five hours a month. The set-up was the longer, more painful thing, assessing everyone to start with and making the off-payroll Payroll [entries]."
Site, Education, 500 to 999 employees

"Each of the consultants that were coming through the system, across those of us that are dealing with it, it has got to be an hour a person by the time you have sat down, done the assessment, had the conversation with the management about the spec, the contract and the rest of it and setting them up on payroll."
Site, Public Administration & Defence, 10 to 49 employees

Q11. Would there be any process and administrative cost implications for businesses? Can you provide evidence of the scale and nature of these?

There are so many variables: the size of the organisation and its access to specialist advice – in-house or externally; the number of contractors being engaged; the balance the end client may wish to strike between the burden of reviewing each and every engagement and the risk of losing resources if certain types of engagement are determined on a blanket "caught" basis.

We therefore draw your attention to some of the respondents to the IFF research:

6.8 "It is undoubtedly a more laborious process now … all the talk around [the assessment] that has to go on so the whole thing about briefing the manager about what the issue is about and quite often talking to the contractor, talking to the agency."
Site, Public Administration & Defence, 10 to 49 employees

7.6 "We've found that unilaterally across the board, everything is now coming in more expensive than it was previously. We've been working our socks off to drive down these costs and pretty much as a consequence of IR35, although we can't pinpoint it and prove it, for brand new bookings we've noticed a trend that everything has shifted up [in cost by] 10 -15%."
Central Body, Health and Social Work, 10,000+ employees

7.4 "We have said 'no, we are not responsible for paying your tax which you should have been paying before'. That has potentially led to some of the locums in the hard to fill specialties, health board wise, saying 'if you are not going to pay me more, I don't need to pay IR35 in Dublin [so I will go there].'"
Central Body, Health & Social Work, 10,000+ employees

We see no reason why engagers in the private sector would not experience the same issues and the member responses indicated the same.

Q12. Can you provide any evidence that these costs would vary depending on how much notice businesses were provided for the introduction of any reform?

Some businesses are clearly preparing for this eventuality already, but many will be blissfully unaware of the consultation and it will be incumbent upon HMRC to ensure that the message is received quickly and efficiently. If the implementation timetable is going to be as rushed as that for the public sector, then the additional costs may come in the form losing resources due to incorrect decision-making (treating engagements incorrectly as caught); penalties following compliance activity from HMRC because of failure to implement the changes on time. –

Q13. Is there anything else HMRC could do to ease the implementation for businesses, and can you provide evidence of how this would ease implementation or administration for businesses?

HMRC offering a 'soft landing' for this legislation coupled with a continuing programme of education.

Encouraging or requiring businesses to secure their labour supply chains

Q14. Overall, what are your views on this option? Would it be a proportionate response to the issue?

Only 24% of respondents thought this would be a better option. . We share respondents' views that too much admin would be involved.

Q15. If the government were to pursue this option, what checks should the client be required to perform?

Suggestions ranged from a CIS type system and UTR checks.

Q16. How should different views on employment status be dealt with? For example in the public sector, disputes should be resolved between the client and the worker, which ultimately allows either party to walk away if they do not agree.

The position would be the same in the private sector and would only change if a right to appeal a decision was included in the legislation.

Q17. How would HMRC best enforce compliance with securing labour supply chains, keeping in mind the need to mitigate or reduce dealing with each PSC individually?

Respondents' views ranged from nothing to naming and shaming, offering a warning and then fines/heavy fines.

Q18. Should the requirement be underpinned by some form of penalty?

Please see response to previous question.

Q19. Should the requirement be underpinned by denying the client a deduction for the cost of labour from an unchecked supply chain?

No comments.

Q20. Should the requirement be underpinned by the risk that the client could be named as having used a non-compliant supply chain?

One respondent agreed with naming and shaming.

Q21. Would such penalties effectively change behaviour within labour supply chains, helping to ensure the correct income tax and NICs are paid?

See response to Q17; certainly some respondents thought that penalties would be needed.

Q22. What would the impact (including the effect on administrative burdens) of this option be on affected businesses, agencies, and individuals?

Respondents were not specific and indeed without detail, it is difficult to quantify without having the detail. Nevertheless, the general consensus was this option would be onerous and lead to additional costs and delays which would be a barrier to engaging contractors. Some members in practice felt that there might be fee opportunities in terms of assisting clients with the administration, but were also concerned that for some businesses the work might be prohibitively expensive and the administration too cumbersome.

Q23. How effective would this option be in addressing non-compliance with the off-payroll working rules in the private sector?

The general consensus amongst the membership and our own view is that this option is not viable in terms of either its administration or its ability to address non-compliance.

Q24. Is there any way to improve this option which would make it more effective?

No comments.

Additional record keeping

Q25. Overall, what are your views on this option? Would it be a proportionate response to the issue?

As there is little detail in this option, it is not entirely clear how much additional administration would be required. Some of the information required by clause 6.23 is probably already created or available as part of determining the services to be provided. However, the general thrust of the answers is best summed up by the respondent who answered that “The administrative burden is already onerous, it doesn’t need adding to.”

Q26. If the government were to pursue this option, what information should be required to be gathered?

The members had no particular comments to make. It might be better if HMRC indicated what it would require and then it would be possible to comment on the effects on business.

Q27. How could the government ensure that others in the labour supply chain pass accurate and timely information to the client?

Q28. What penalties should fall on the client or others in the labour supply chain if they fail to comply with the requirement?

Q29. What would the impact (including the effect on administrative burdens) of this option be on affected businesses, agencies, and workers?

Please see answer to Q25 above.

Q30. How effective would this option be in addressing non-compliance with the off-payroll working rules in the private sector?

If HMRC does not properly police non-compliance with this option, the same non-compliance issues which are currently being experienced will arise. Furthermore, it is not clear from this consultation document what non-compliance looks like from HMRC's perspective. Is it compliance with legal requirements or is non-compliance measured by a reduction the estimated tax gap by HMRC or a mixture of both?

Q31. Is there any way to improve this option which would make it more effective?

No comments.

Other options to consider

Q32. Are there other options, within the scope of this consultation as set out in Chapter 2, that would be effective ways of tackling non-compliance in the private sector that the government should consider (for example, possibly drawing on lessons from other countries)?

No comments.

Q33. Would these, or any of the other options outlined above, be more effective than extending the public sector reform? If so, how would they be more effective and on what grounds would they be preferable to extending the public sector reform?

No comments.

Other issues

Q34. Are there any other issues which businesses or individuals who may be affected would like to raise?

The IFA is concerned for its members in practice who will find that many of their existing contractor clients are likely to suffer the same fate as those in the public sector if engagements are not correctly and individually reviewed in line with the intentions of the legislation.

If as we assume, the 5% notional expense allowance when caught by IR35 is abolished in the private sector, contractors will soon find that it is not viable to operate through a PSC. The result will be that many contractors will have to find other options if they wish to remain as freelancers. On the whole, agencies are not geared up to have agency staff on their payroll. End clients will not want the additional cost and administrative burden of taking contractors on as employees, as this will restrict their access to temporary resource. The likely result – as happened in the public sector – is that the lead option will force contractors to operate through umbrella companies, which will result in a loss of PSC clients for IFA members in practice and might not necessarily offer the best solution for the contractor

Whilst the neither the IFA nor Abbey Tax condone the use of PSCs for disguised employment, much of the PSC market contains more senior personnel who have chosen contracting as their preferred career method and represent the flexible labour force which successive governments have viewed as an important driver of the economy.

The lead option will result in engagements being incorrectly classified as caught by IR35, which will act as a deterrent to the flexible labour market and some surveys respondents were also

concerned that it could lead to existing PSCs looking for work outside of the UK and even overseas contractors returning home, thus denying the UK economy skills.

Some of the respondents felt that there should be exemptions from the administrative burdens for small business. Whilst we recognised that that would not align with HMRC's belief that there should be the same form of taxation for all individuals undertaking the same type of work, it is also likely to be this sector where to avoid the administrative burden that businesses might not follow the legislation. Due to the small numbers of contract staff engaged, these businesses might expect to fall under the compliance radar. It would make sense for HMRC to recognise this by having a small business exemption.

Whilst we can see why HMRC would benefit from the lead proposal by passing on its compliance responsibilities to the private sector; however, HMRC appears to have ignored the cost of doing so. In presenting the public sector outcomes as raising additional income to the Exchequer, the costs and opportunity cost in terms of delayed public sector projects, the cost of engaging more expensive contract staff has been largely swept under the carpet. It may be that these additional costs can be hidden in the public sector, but these will be additional costs to business and will have to be passed on or taken on as an overhead.

If the latter, then this will result in less profitable businesses and so lower tax receipts to the Treasury. If businesses decide to put off investment in new projects in an already uncertain market or look to push the work overseas, this will also have a detrimental effect on UK plc. If businesses choose to push more work on to existing staff, there are also where the cost may not just be financial.

Throughout the survey, our members have voiced their concerns over all of the options and a number of responses have repeated that there needs to be root and branch reform of IR35. If that is not possible, then the Intermediaries Legislation should be properly policed rather than being by-passed by Option One, which we believe is more than the lead option, but the only one which HMRC is genuinely considering.

The IFA is not in favour of the lead option because it does not accept HMRC's interpretation of the public sector outcomes, but recognise that it is an inevitability and we hope that HMRC is fully aware of the detrimental effects of its implementation.

Contact details

Should you wish to discuss our responses further, please contact Anne Davis by email at AnneD@ifa.org.uk