



HOUSE OF COMMONS

LONDON SW1A 0AA

April 2020

Dear Constituent,

Re: IR35

Thank you for contacting me about off-payroll working including the position with Covid-19 in mind.

I understand the issue of IR35 due to my previous employment and would first like to say that there is an important principle at play; namely that everybody pays the right amount of tax. That said I am concerned some companies are taking a blanket approach and not looking at circumstances of individual contracts and contractors.

Flexible labour plays an important role in the UK economy. The option to work through an intermediary, including a company, helps support this labour market's flexibility. While it is important that everyone pays the right amount of tax, it is welcome that the Government has recognised concerns expressed by businesses about changes to off-payroll working rules, known as IR35, and I note the points you raise in your correspondence with me.

I therefore hope it comes as a reassurance that the Government is taking the concerns about IR35 seriously, and I proudly stood on a manifesto commitment to launch a review into this matter. As part of the review on the implementation of changes to off-payroll working rules, I understand the Government held a series of roundtable talks with industry representatives and those affected by the reform. As a result of the review a 'light touch approach' will be taken for the first year. I am sure you'll agree this is a welcome step. Businesses will not pay penalties for inaccuracies in the first year, except in cases where there is deliberate non-compliance, and I understand from colleagues at HMRC that new information from the changes will not be used to start investigations into Personal Service Companies (PSC) in past tax years, except where fraud or criminal behaviour is suspected.

Colleagues at the Treasury have reassured me that they are committed to commissioning external research to analyse the impacts of the reform after six months, thereby highlighting any further evidenced based changes to implementation that might be required. I also hope that the release of the enhanced Check Employment Status for Tax tool in November will help with the implementation of these rules. This should reduce the perceived need of companies to apply blanket rules and instead allow legitimate contractors to keep working as they have.

I appreciate this might not be the outcome of the review that you were hoping for. I hope, however, that I can provide some reassurance to you by saying that I will continue to follow developments on this very closely, to ensure that the Treasury are aware of the strength of feeling about changes to off-payroll working rules.

Finally, I note that, after the reforms were due to be implemented on 6 April 2020 to

give individuals and businesses ample time to adjust, the Government has announced that in the context of the coronavirus pandemic the reforms will be postponed for one year only from 6 April 2020 until 6 April 2021.

Thank you again for taking the time to contact me.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'A. Higginbotham', with a long horizontal flourish extending to the right.

Antony Higginbotham MP
Member of Parliament for Burnley