

Open Letter to the new Prime Minister and Chancellor on behalf of UK contractors and freelancers, the contracting sector and the UK's flexible workforce

August 2019

Dear Boris and Sajid,

As eleven organisations from the UK's important contracting and freelancing sector, we are writing to you together, as a matter of urgency, on behalf of the UK's important flexible workforce and economy.

We congratulate you both on your new roles and on forming a new Government and wish you well in running the country and hope you will lead a Government that supports both the flexible workforce and all British businesses who are reliant on them.

We are asking you change course as a Government, now you are in charge and to stop the 'war on contracting' begun by the previous Chancellor and Prime Minister. This has shattered the trust of hundreds of thousands of self-employed UK contingent workers - a large group of people that the Conservative Party would like to appeal to.

Yet the reality right now is that recent policies introduced by the Treasury, since 2015, and pushed through, it seems, at the behest of an out-of-control HMRC, have not supported the sector, but have instead actively undermined it.

We are writing asking you, instead of attacking the sector and damaging the flexible workforce, to take action on two key policies that are causing huge concern for contractors and freelancers and instead commit to working with the sector, rather than against it.

It is widely recognised that the IR35 legislation introduced in April 2000, by the then Labour Government, was deeply flawed. Yet despite expressing opposition to it – and saying they would reform it – the Conservatives in Government have not only gone back on this promise, but are actually now planning to introduce the controversial **Off-Payroll Tax** – an effective 14.3% stealth tax on business, into the private sector.

To circumvent this huge extra cost to business, many large firms are already seeking to outsource jobs overseas, causing British workers to lose work to untaxable contractors in other countries! HMRC have admitted that 153,000 UK contractors will see a pay cut of around a fifth of their income, which will cause considerable hardship for some and a drop in living standards for them all.

We note that back in 2009, Sajid said in an article on Conservative Home, said the Conservatives would "*repeal the silly IR35 tax on providers of personal services*". **So we hope that unlike your predecessor, you will stick to your principles and your commitment and actually do this, starting with halting the Off-Payroll Tax roll-out.**

The notion that flexible workers will be classified in law as "employees for tax purposes only", without any of the normal protections and benefits of security is contrary to the Good Work Plan and grossly unfair. The extra sums that firms pay to hire on-demand contingent workers (the "freelancer premium") covers their holidays (when contractors/freelancers are not paid) and compensates for the insurance they require against periods of sickness or inability to work

for any other reason. It also used by flexible workers to pay into their pensions, which successive Governments have encouraged. Yet instead we have seen a Conservative Government undermining this important principle by inventing a new employment classification of “employed but with no employment rights” – or as HMRC refer to it, as “deemed employees”. This is solely so HMRC can force them into the PAYE system when it is clearly not appropriate nor fair.

The vast majority of UK businesses are reliant, to some extent, on contractors and freelancers. They often have specialist skills needed for specific projects or for specific periods of time. This allows the flexibility and dynamism which keeps UK businesses competitive and should be something a Conservative Government understands and celebrates. Instead, through the ill-considered Off-Payroll Tax, this Conservative Government is hell-bent on destroying this competitive edge for the UK. Ripping up this flexibility and dynamism which will damage the economy. We are confused why a Conservative Government would do this.

This is on top of the outrageous and retrospective **Loan Charge**, a shocking changing of the law that overrides established statutory protections for individuals and undermines the rule of law by taking away a citizen’s right to challenge HMRC in court over sums that have never been legally proven to be due. Most worryingly of all, there have been five suicides of people facing the Loan Charge confirmed to the All-Party Parliamentary Group and many thousands of ordinary families are facing ruin. Surely you do not want to be responsible for this, when it is not even a policy that you yourselves introduced?

We note that at the Carlisle Conservative leadership hustings on 29th, you yourself Boris said that the Loan Charge “*seems superficially unjust*” and that “*there should be an independent review*”. We urge you now to stick to that clear belief and suspend the Loan Charge now and order the much-needed independent review, something publicly supported by 78 Conservative MPs. The former Conservative Party Leader (and the Campaign Director of the Prime Minister’s Leadership campaign), Iain Duncan Smith has recently written to you publicly, calling on you to do this. Several more Conservative MPs have done the same. We also are pleased to hear that you signed the letter from Conservative MPs, organised by Ross Thomson, calling on the previous Chancellor, to suspend and review the Loan Charge. So we urge you to stick to this clear and principled position and suspend the Loan Charge now you have the power to do so.

We also urge you to commence a proper investigation into HMRC, who have rightly been described as “out-of-control” by the influential House of Lords Economic Affairs Committee, chaired by Conservative peer Lord Forsyth of Drumlean. MPs - and it seems even Ministers - have been grossly misled by HMRC on the matter of the Loan Charge. The information now being published by HMRC (and parroted by the Treasury) on the Off-Payroll Tax is equally misleading. This is unacceptable and something we feel you both need to fully address.

We, as organisations who either represent contractors and freelancers, or who operate in this sector, are urging you both, as the new First Lord of the Treasury and the new Chancellor of the Exchequer to stop your predecessors’ war on contracting.

To do this, we urge you to stick to your clear commitments made and restore the trust of contractors change course and announce, as a matter of urgency, that you will:

1. Suspend the Loan Charge, which must be done before 30th September 2019 and order the independent review that the Prime Minister agreed was necessary. You are both aware that lives are at risk from Loan Charge.
2. Announce that the Government will remove the roll-out of the Off-Payroll Tax from them draft Finance Bill and that instead ask the Treasury will sit down and work with the contracting and freelancing sector to look at how best to recognise contracting and freelancing in our economy and the tax system, to the benefit of all.

The support of hundreds of thousands of such workers, recruiters and businesses as well the wellbeing of thousands of British families depends on your doing these two things.

We look forward to hearing from you and we hope, to meeting with the Treasury, once these two announcements have been made.

Yours sincerely,

