

Urgent open Letter to MPs from the contracting sector and the UK's flexible workforce on the loss of thousands of contractor positions

October 2019

Dear Members of Parliament,

As eleven organisations from the UK's important contracting and freelancing sector, we are writing to Members of Parliament, as a matter of urgency, on behalf of the UK's important flexible workforce and economy. We are asking you **to ask you to oppose the Government's flawed and damaging plans to introduce the Off-Payroll Tax (IR35 'off-payroll rules') to the private sector**, despite the damage it has already done to the public sector.

The UK's flexible workforce is hugely important to business and to the economy, yet the Treasury (guided by an out-of-control HMRC) are attacking and seriously damaging this sector in what has been called a '**war on contracting**'.

We are writing to you as a matter of urgency because the proposed roll-out is already creating havoc in the UK's contracting sector – with a series of large firms announcing that due to the Off-Payroll Tax they are laying off contractors.

The Off-Payroll tax, due to be introduced in the next Finance Bill, is a new 14.3% double stealth tax burden on firms that hire contract workers. Firms will simply not pay this very significant additional cost, so this in reality will mean significantly lower rates of pay for thousands of people. HMRC have admitted that **153,000 UK contractors will see a pay cut of around a fifth of their income.**

To avoid the proposed new tax, Barclays, Lloyds, GlaxoSmithKline and HSBC have announced that they will cease all engagements of self-employed workers who have for decades provided services and whose skills many large businesses have relied on. These companies have begun telling its contractors that they will have to either move onto PAYE or work through third-party umbrella companies which means **a projected pay cut of up to 30 per cent.**

So this flawed policy is ALREADY damaging contracting and denying UK businesses access to the skilled flexible workers they need, even before actually being introduced. This flies in the face of repeated claims by the Government and HMRC that the Off-Payroll Tax will not affect the genuinely self-employed and that the controversial change won't damage business and the economy, when it's now clear that it already is.

If the Off-Payroll Tax does come in, then thousands of contractors will be asked to pay taxes as an employee, many without getting the benefits of employment such as sick and holiday pay and a pension contribution. Others will simply be told they are not wanted and struggle to find work. Some highly skilled contractors are reporting they will emigrate as a result.

Other firms are already actively looking to move to using offshore workers, as opposed to British based workers, to avoid the changes and costs altogether, meaning HMRC will not receive any tax at all, which shows how ill-considered and perverse the policy is.

The proposed Off-Payroll Tax is already affecting contractors facing the Loan Charge (or who are already paying large monthly payments to avoid it), some of whom face losing their job and income. So the inevitable outcome, if it isn't stopped, is that some people currently paying 'time-to-pay agreements' to HMRC will be unable to continue to pay, as a direct result of this latest Government policy. This is extraordinary and perverse and shows the vindictiveness of HMRC in unfairly pursuing self-employed contractors for imagined underpayment of tax, but also the destructive nature of their whole approach, as one policy will make another policy outcome impossible. Far from raising taxes, this will destroy contracting and damage business.

Despite all this, the Government is hell-bent on rolling out the controversial Off-Payroll Tax and have included it in the Draft Finance Bill. It's clear that the Government is listening only to HMRC and have ignored their own consultation findings and are now ignoring evidence of the damage already being done.

With the current political turmoil and the increasing opposition to the damaging changes in Parliament, we know that these damaging plans can be stopped if enough MPs raise this. So we are asking for you to persuade the Government to drop these damaging plans and instead commission a review as to how to best recognise self-employed workers in the tax system”.

We also ask you to push the Government to suspend all activity related to the draconian Loan Charge, which is causing a unprecedented mental health crisis with many families facing losing homes and livelihoods and with a serious risk of further suicides. It is scandalous that despite the seven known suicides, Ministers have so far failed to heed calls to do this.

So we, as organisations who either represent contractors and freelancers, or who operate in this sector, are urging MPs to support the UK's flexible workforce by:

1. Opposing the roll-out of the Off-Payroll Tax and voting against it being included in any Finance Bill.
2. Support a non-Government/HMRC led review (like the Taylor Review of Modern Working Practices) to look at how best to recognise contracting and freelancing in our economy and the tax system.
3. To ask your political party to commit to do these two these two things in their manifestos, should there be an election.
4. To call for an immediate suspension of all HMRC activity related to the Loan Charge.

The support of hundreds of thousands of such workers, recruiters and businesses as well the wellbeing of thousands of British families depends on this and we urge you to support your affected constituents, business and the UK economy.

Yours sincerely,

