

TOM PURSGLOVE MP
CORBY & EAST NORTHAMPTONSHIRE



HOUSE OF COMMONS

LONDON SW1A 0AA

11th July 2018

Jew Constituent,

RE: PERSONAL SERVICE COMPANIES AND TAX (IR35).

Thank you for contacting me recently about personal service companies and tax; your comments upon which I read with great interest.

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. However, it is fair that people should pay the right tax for their circumstances. The off-payroll working rules, known as IR35, were introduced in 2000. These ensure that someone working like an employee, but through a company, pays similar taxes to other employees.

It is important to note that, these rules only affect people working like employees and through a company. HM Revenue and Customs (HMRC) estimate that two thirds of people working through a company are genuinely self-employed. These individuals are not affected by these rules, and that will not change.

HMRC has estimated that only 10 percent of individuals who should comply with the rules do so, costing the taxpayer hundreds of millions of pounds in lost tax revenues every year. This money could otherwise be spent on vital public services. Therefore, the Government's view is that it is not right, or fair, that some workers pay less in tax when they do the same work as someone on the regular payroll.

I am encouraged that since April 2017, when the Government reformed these rules for engagements in the public sector, early indications are that this has resulted in an increase in compliance and £410 million in additional revenue. The Government would now like to explore options to tackle non-compliance in the private sector, and has set-up a consultation in order to do so. This consultation, which is open to respond to until the 10th August 2018, includes the option of extending those reforms to the private sector, although no decisions have been made, and the consultation includes alternative options for addressing non-compliance. You can learn more about this and respond here:

<https://www.gov.uk/government/consultations/off-payroll-working-in-the-private-sector>

Once again, thank you for having taken the time to contact me and if I can ever be of any further assistance to you then please do not hesitate to contact me again.

With best wishes,

TOM PURSGLOVE MP
MEMBER OF PARLIAMENT
CORBY & EAST NORTHAMPTONSHIRE