

Defeat sparks further IR35 fears for employers

British companies may face huge tax bills after experts warned a court ruling could set a precedent that could override tax law IR35 in certain cases.

Last week, the Court of Appeal upheld a ruling in the Muscat vs Cable & Wireless case could pave the way for contractors to shift their tax burden over to their employers.

'It is a frightening case for many big businesses in Britain because until now they have been sheltered from tax and national insurance risks,' said Anne Redston, chairman of personal taxes at the Chartered Institute of Taxation and an IR35 expert.

'In the past employees have faced all the burden without the employee rights. Now you could say they are being given those employee rights and the (financial) burden is being removed,' said Redston.

Francesca Lagerberg, tax director at Smith & Williamson and chairman of the ICAEW's tax faculty, said businesses with extensive contractor bases could 'have employees where they didn't think they had them'.

John Whiting, partner at PricewaterhouseCoopers, said: 'The main concern is that this precedent could affect companies which hire contractors through agencies.'

Muscat vs C&W dealt with the issue that contractors engaged through their own personal service companies might, in certain circumstances, be deemed employees of the end client. The Court of Appeal rules that Muscat was an employee of C&W and had employee rights. C&W said it couldn't comment on the case.

HMRC said: 'We will be considering the decision of the Court of Appeal very closely to determine whether it has any implications beyond employment law.'

Source: Financial Director

Published: Friday, March 17, 2006

[Tweet](#)

© 2011 All rights reserved. Reproduction in whole or in part without permission is prohibited. Please see our [copyright notice](#). If you want to use any content you have seen on this site then please [request our media pack](#) and ask for details of our Content Licencing Service.

Readers Comments...



Be the first to comment on this article

Also of interest...

Related Guides:

o [What is IR35?](#)

Related Calculators:

o [IR35 Calculator](#)



ABCe verified website - last audit confirmed **130,682 monthly unique visitors**

© Copyright 2011 Byte-Vision Limited UK. All rights reserved [Copyright notice](#)