

## MP's Early Day Motion to end IR35 is welcome, but doomed to failure

MP Lorely Burt has tabled an [Early Day Motion \(EDM\)](#) calling for the [Treasury](#) to abolish [IR35](#) because of the distress it causes to the UK's 1.4m contractors and freelancers.

According to the [Liberal Democrat](#) MP for Solihull's EDM, the effort contractors spend on defending their status as a legitimate and vital component of the UK's flexible workforce would be better spent on generating greater income and wealth for the UK.

Furthermore, claims Burt, there is no evidence that IR35 actually achieves its aim of bringing in greater tax revenues. Her EDM cites evidence from the [Professional Contractors Group](#) that, of the 1,468 IR35 cases monitored by the trade body, 1,462 have provided no extra tax.

### Under 'perpetual threat'

The EDM states, in part that 1.4 million freelancers in the UK are facing the perpetual threat of a costly and distressing [HMRC investigation under IR35](#) which obliges them to spend time and money that could be better spent generating wealth for the UK economy.

This sentiment is echoed by PCG managing director John Brazier, who says: "We are grateful to Lorely Burt MP for highlighting the issue to the House. I would urge more MPs across all parties to support the Motion to send a clear signal to Government that it must act now, acknowledge just how damaging IR35 is to freelancers and the UK economy and abolish it."

There is little doubt that the threat of IR35 causes contractors a huge inconvenience and expense in anticipation of having to justify the way that they work to tax-revenue-hungry [HMRC](#) Inspectors.

### IR35 does raise additional income

However, Burt's claim that IR35 fails to raise additional tax revenues is surely open to question. After all, large numbers of contractors do pay additional income tax and National Insurance Contributions (NICs) because their contracts are within IR35 and they accept this status.

"There are many contractors who just don't question their IR35 status and pay up," explains ContractorCalculator CEO Dave Chaplin. "Many of these are experienced long term contractors, not just recent entrants to the contracting sector."

In addition, [umbrella company](#) contractors, despite benefiting from some tax breaks through their expenses, also pay significantly more than [limited company](#) contractors in income tax and NICs via their umbrella company.

"So to say that IR35 has had no positive economic impact on the Treasury's income is not accurate," states Chaplin.

### Sadly, IR35 is going nowhere fast

The likelihood of an Early Day Motion being taken seriously enough to warrant attention from HMRC is slim, although Burt deserves credit for raising the issue as the UK's economic recovery depends in part on the availability of a highly skilled and flexible workforce.

"Whilst it is true to say that we don't actually know the real figures behind the impact of [IR35](#) and legislation such as the [Managed Services Company \(MSC\)](#) rules," says Chaplin, "what we do know is that it has driven a substantial number of contractors into alternatives to contractor limited companies."

In circumstances in which the government desperately needs to increase tax revenues from those in work, Burt's EDM looks highly unlikely to succeed. And with the main Conservative opposition being ever-more equivocal on its statements about tax cuts, it looks likely that IR35 is not going to go away anytime soon.

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John Brazier, PCG



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Started in 1999, ContractorCalculator (this site) is the leading independent website for the UK contracting industry – most of whom are highly skilled knowledge workers. [Read Full Profile...](#)

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