

# DR PHILLIP LEE MP



## HOUSE OF COMMONS

LONDON SW1A 0AA

Mr Simon P Bleathman

[REDACTED]

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Berkshire

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14 December 2017

Dear Mr Bleathman,

Thank you for contacting me about the off-payroll working rules (often referred to as IR35).

There are many legitimate reasons why some people choose to work through their own company. However, it is only fair that when two individuals are doing the same job in the same way, they pay broadly the same tax; that is what the off-payroll working rules are designed to achieve.

Non-compliance costs the taxpayer billions of pounds every year, and it has been clear for some time that IR35 is not effective enough. To improve compliance, reforms were introduced in the public sector from April 2017. Individuals working through their own company in the public sector are no longer responsible for operating the off-payroll rules. Instead, the public sector body is responsible for determining whether or not the rules apply, and ensuring the necessary employment taxes are deducted.

The Government is monitoring the impact of this change, and the initial evidence suggests that it has been successful in improving compliance. However, the cost of non-compliance in the private sector is still growing and will cost taxpayers £1.2 billion a year by 2022-23. Therefore, a possible next step would be to extend these reforms to the private sector.

It is vital that any potential changes take account of the needs of the businesses and individuals who would be expected to implement them. That is why the Government has said it will carefully consult on reform in the private sector, drawing on the experience of the public sector reforms, including through external research it has already commissioned.

Ministers have been very clear that this is not about imposing a new tax on the self-employed. IR35 only applies to those who work like employees and would have been employed were they not working through a company. Genuinely self-employed individuals continue to be unaffected.

Kindest regards,

Yours sincerely,

**Dr Phillip Lee MP**

Member of Parliament for Bracknell