Contractor and recruiter bodies in final attempt to delay false self-employment rules

Contractor organisation PCG and RECruiter body the Recruitment and Employment Confederation (REC) have written a letter to Chancellor George Osborne calling for the proposed false self-employment legislation to be delayed and not implemented in the March 2014 Budget.

The two bodies warn that core contracting sectors, such as IT, energy, oil and gas, construction and engineering will be disproportionately affected, and the labour market would be less flexible as a result.

This action has been spurred by fears that businesses won't have time to adapt between publication of HMRC's guidance and when the legislation would come into force in April 2014.

PCG also voices concerns that it has not been made sufficiently clear in the proposed legislation that limited company contractors are outside of its scope.

"This draft legislation was sprung on businesses at very short notice," says REC chief executive Kevin Green. "There is now less than a month to go before the new rules would come into effect and the government still hasn't published its final guidance for employers. This scramble to implement shows a lack of understanding about how business works and the complexity of contracts for long-term projects."

PCG director of policy and public affairs Simon McVicker worries that the limited company contractor exclusion is not explicit, despite HMRC's assurances: "Throughout the consultation process, HMRC have gone to great lengths to assure us that limited company freelance businesses are not the intended target of the Onshore Employment Intermediaries legislation.

"However PCG believes that HMRC guidance on this does not offer freelancers the guarantees they seek. It needs to be clearly stated in the proposed legislation or the danger is that it will create confusion amongst business, leading to the legislation being wrongly applied to genuine freelancers using limited companies."

The letter to the Chancellor, jointly signed by Green and PCG CEO Chris Bryce, warns that implementing the legislation could derail the economic recovery, and increase costs for compliant agencies by as much as 25%.

The false self employment legislation proposals are designed to prevent less compliant employers shifting large numbers of workers into self-employment via agencies.

If they came into effect in their current form, the proposals would require the agency to demonstrate an absence of control in the worker's relationship with the client. If this is not possible, then the agency will be required to deduct income tax and National Insurance Contributions (NICs) at source.

Published: Thursday, March 13, 2014