

IPSE calls for more progressive approach from Government to address employment status



The Government needs to adopt a more progressive approach if it is to successfully adapt both its policy and its thinking to align with modern employment practices.

This is the view of the Association of Independent Professionals and the Self Employed ([IPSE](#)) following the recent release of the [Taylor Review of Modern Working Practices](#).

Whilst praising the motives behind the Review, [IPSE chief executive Chris Bryce](#) argues that the proposed measures are too reductive and unlikely to bring about positive change in their current form.

“We were hoping that Matthew Taylor would be more progressive in his thinking, not only on how to determine employment status, but also in addressing the many challenges the self-employed face in their working lives,” notes Bryce.

“Being arguably the most high profile problem, we also think the Review could have done more to address false self-employment. Unscrupulous employers engaging workers in sham self-employment contracts are responsible for a lot of the issues raised in the Review, but the Review itself proposes little to tackle this.”

‘Dependent contractor’ status “far too reductive”

IPSE has long called for stricter definitions of employment status. Though the Taylor Review didn’t take on IPSE’s recommendation for a statutory definition of self-employment, it has sought to draw lines between types of employment status with its proposed ‘dependent contractor’ status.

Taylor suggests that this be introduced in place of ‘worker’ status, and that control and direction are considered when assessing whether someone is a dependent contractor. However, Bryce believes that this particular recommendation runs the risk of oversimplifying employment status.

“The proposed ‘dependent contractor’ is far too reductive. The issue of employment status is much more complicated than this new status implies. If you wanted to actually make it work, you would have to take into account all of the IR35 indicators.

“So the Government needs to give some serious thought to this recommendation. Creating a [new ‘dependent contractor’ status](#) might bring some benefits, but it’s also likely to lead to further confusion, especially in the gig-economy.”

He adds: “There are many different ways of working in the gig-economy and each relationship should be judged on its own merit. Ushering droves of workers into this ‘dependent contractor’ category would be a huge mistake and in fact create more work for the tribunals.”

Could we see an alignment of tax and employment law?

As tax and employment law currently stand, a contractor may be taxed as an employee under tax regulations, but receive none of the employment benefits under employment law. The Taylor Review recommends that tax and employment status should be streamlined. This is a principle that Bryce agrees with, and is optimistic will warrant serious consideration.

“Obviously we are very much in favour of this. The application of IR35 is the definition of unfairness, where you are taxed as an employee but given none of the equivalent rights.

“It’s almost HMRC’s mantra that employment rights have nothing to do with tax status – of course they do. It’s overwhelmingly unjust. So Taylor’s recommendation that tax and employment status go hand-in-hand can’t possibly be ignored.”

Should such a measure go ahead, it could herald the end of IR35 as we know it, as contractors could have their IR35 status predetermined by alternate legislation. Bryce acknowledges that this is very much within the realms of possibility, but notes it could be a while before any change is seen.

“Theresa May has already signalled that she wants to put the Review to consultation. We must remember that the Government is also very busy with Brexit. As a result, the Taylor Review may not be high on the PM’s agenda right now. I think it could be a couple of years before this has the opportunity to come before Parliament.”

Is taxation of the self-employed set to rise?

Any eventual move to align tax and employment law could be accompanied by a tax rise for contractors. By highlighting the discrepancy between the tax raised from employment and the tax raised from self-employment, the Taylor Review appears to reaffirm the Government’s desire to raise taxes for the latter.

“This is another proposal that the Government will have to consider very carefully,” says Bryce. “The Review fails to address the burden carried by the self-employed, who take on much more risk than employees, without the guarantee of pensions, holiday and sickness pay. Seeking to narrow the gap in terms of tax paid without factoring this in ignores the reality of the situation.”

The Review does however propose that more is done to help the self-employed save for retirement and insure against illness. For many contractors, support in these areas would be little consolation for a tax increase. Though contractors value the flexibility first and foremost, further tax increases could deter would-be contractors. For Bryce, this is another measure that needs to be approached with caution.

“Self-employment generates substantial value in terms of gross domestic product (GDP), and restricting its appeal would damage this substantially. The Government needs to look very carefully before taking measures to, as it would call it, ‘level the playing field’.”

He concludes: “The playing field has never been level. The self-employed, who choose to take on the risk inherent in working for themselves, understand this. And they may not be so happy to take on that risk if they are hit with another tax hike.”

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