

## IR35 2013-14 tax yield collapses, pushing HMRC compliance into the red

IR35's tax yield collapsed to only £430,000 during the 2013/14 tax year, from £1.1m in the 2012/13 tax year, driving HMRC's compliance operation into the red by as much as £170,000 each year.

HMRC estimated during the [House of Lords Select Committee on Personal Service Companies \(PSCs\) inquiry](#) that IR35 costs £700,000 a year to administer by its four specialist teams and support staff.

These latest figures of IR35's tax yield based on the [response to a Parliamentary Written Question](#) show that IR35 is wasting the taxman's valuable resources, which could be used more effectively elsewhere to tackle more serious threats to the Exchequer's tax yield.

"It took a written question by a Member of Parliament to force HM Treasury and HMRC to reveal data ContractorCalculator has been requesting via Freedom of Information (FOI) for many months," highlights ContractorCalculator CEO [Dave Chaplin](#).

"And given what the IR35 performance data has revealed, I can see why HMRC stonewalled previous attempts at forcing publication. Specifically, this data shows that the new framework for administering IR35 introduced in 2012 has failed completely."

Labour MP Pamela Nash submitted a written question on 14 January 2015 that asked: "What the tax yield was from IR35 legislation in (a) the UK, (b) Scotland, (c) England, (d) Wales and (e) Northern Ireland in each of the last five years for which figures are available?"

The response, by Financial Secretary to the Treasury [David Gauke](#), confirmed the following yields of:

2009/10: £155,000

2010/11: £219,000

2011/12: £1.2m

2012/13: £1.1m

2013/14: £430,000.

Gauke added that: "In addition to the tax voluntarily paid through IR35 and the compliance revenue, the cost to the Exchequer of not having the IR35 legislation would be around £520 million a year."

"Gauke has trotted out the same tired old 'Exchequer Risk' figure of £520m less the £30m collected directly via IR35 that HMRC produced during the Lords' inquiry, and which it was completely unable to substantiate," continues Chaplin. "The [Lords' concluding report](#) called on HMRC to provide evidence for this figure, which the taxman has singularly failed to do."

Chaplin concludes: "Why are we, the taxpayers, continuing to subsidise HMRC to collect a tax that cannot even cover its own costs?"

"We can only hope that the non-HMRC members of the [IR35 Forum](#) use these latest performance figures as evidence that the 'better administration' of IR35 promised as a result of the [2011 Office of Tax Simplification IR35 Review](#) has failed to appear."

Published: Thursday, February 12, 2015

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