

AS 2015: IR35 unchanged. Expenses restrictions for contractors go ahead

IR35 remains unchanged as a result of the Autumn Statement 2015. However, umbrella company contractors and limited company contractors using personal service companies and who are caught by IR35 will have travel and subsistence tax relief restricted.

In his [Autumn Statement 2015 speech](#), Chancellor George Osborne **only mentioned broader tax avoidance measures** that are unlikely to impact on mainstream contractors, alongside a raft of measures that could ultimately benefit the contracting sector.

"The restrictions on expenses tax relief for some contractors is bad news and will impact negatively on the UK's contingent workforce flexibility but it was expected," highlights ContractorCalculator Dave Chaplin.

"However, despite the media storm of the last few weeks, there has been no action yet over reforming IR35. This, I believe, will change and we can expect further measures directly from HMRC in the coming weeks."

Specifically, page 116 of the [Spending Review and Autumn Statement 2015](#) says:

3.20 Employment intermediaries and tax relief for travel and subsistence – As confirmed at Summer Budget 2015, the government will legislate to restrict tax relief for travel and subsistence expenses for workers engaged through an employment intermediary, such as an umbrella company or a personal service company. Following consultation, relief will be restricted for individuals working through personal service companies where the intermediaries legislation applies. This change will take effect from 6 April 2016.

Crawford Temple, CEO of PRISM, the trade organisation that represents many contracting service providers including umbrella companies, was critical of the move: "Clearly we are disappointed by the announcement and the fact that the Government has failed to listen to the concerns raised by pressing ahead with this proposal.

"It represents a betrayal of contractors and places a huge obligation on HMRC to implement a rigorous enforcement strategy."

Chaplin believes that by targeting umbrella company contractors, the Chancellor has made a tactical mistake: "Research has shown that large numbers of umbrella company contractors don't actually claim expenses. Those that do will incorporate if they can.

"Umbrella companies are hugely efficient collectors of income tax and National Insurance Contributions (NICs), so the net impact will be a fall in tax take, not an increase."

Chaplin concludes: "Already many in contracting believe it is the calm before the storm and HMRC is just biding its time before releasing a fresh attack on contractors with revised proposals for reforming IR35."

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