

Rt Hon Phillip Hammond MP
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Dear Chancellor

Tax increases on the self-employed

I am writing to you with great concern about an article published in The Sunday Times ([October 29 2017](#)). It suggested that after the changes to IR35 tax regulations in the public sector – which have not only harmed thousands of contractors, but also helped to stall numerous major projects – the Government is considering doing damage to tens of thousands more freelancers by extending the changes to the private sector in the November Budget.

At IPSE, we are extremely concerned the Government would even consider such a move. The self-employed already justifiably feel they are under sustained attack from the Government. As well as the changes to IR35 in the public sector, they have endured the introduction of dividends taxes and an attempted NICs hike. As a result, in surveys our members consistently say their confidence is dropping and that Government policy is one of the greatest threats to their business success.

If the Government extends the IR35 changes to the private sector in the November Budget, it would be yet another blow to the UK's self-employed, which would do significant damage for several key reasons:

- It would unfairly punish one of the most productive sectors of our workforce, who contributed £255bn to the economy last year alone.
- It would impair the flexibility of our labour market – one of our key competitive advantages – just when the Government should be promoting the self-employed to ensure our economic success after we leave the EU.
- Finally, it would not even successfully tackle the issue of disguised employment. To effectively clamp down on disguised employment while also protecting legitimate freelancers, the Government should introduce a statutory definition of self-employment.

For some time, IPSE warned of the damage the changes to IR35 would do in the public sector. Six months on, we have been proved right. Already, for example, there has been a mass flight of freelancers from the NHS, and numerous TfL projects have stalled because contractors are leaving in response to heavy-handed, blanket inside-IR35 judgements.

We hope that after the dire effects of the IR35 changes on the public sector, this time the Government will heed our warnings about the private sector. The UK's flexible labour market will be more important than ever to our economic success after 2019, and we cannot afford to have it stymied and suffocated with further punishing IR35 changes.

We ask the Government not to extend the changes to IR35 to the private sector, and we also urge it to reverse the damage already done to the public sector. The Government can begin to do this by conducting a proper assessment of the impact of the changes on public sector projects and staffing levels.

IPSE believes the best way to tackle disguised employment is for the Government both to introduce a statutory definition of self-employment, as mentioned above, and to introduce a Freelancer Limited Company (FLC) – a proposal the OTS itself backed in its Small Business Taxation report. The FLC would be an optional structure for businesses that met the qualifying criteria. We believe implementing this would not only clarify freelancers' employment status, but also protect revenue for the Exchequer. We are keen to resume talks with the Government about this and the introduction of a statutory definition of self-employment as soon as possible.

I hope you will consider these matters carefully as we approach the Budget and, ultimately, make the right decision – both for the UK's 4.85 million self-employed and for our economy as a whole. Please do contact me to discuss these matters further.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Chris Bryce', with a long horizontal line extending to the right.

Chris Bryce
Chief Executive
IPSE

cc: the Rt Hon. Mel Stride MP