

Economic Affairs Committee

Finance Bill Sub-Committee

Corrected oral evidence: Off-payroll working— follow-up

Monday 13 December 2021

4.15 pm

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Members present: Lord Bridges of Headley (The Chair); Lord Butler of Brockwell; Viscount Chandos; Baroness Harding of Winscombe; Baroness Kramer; Lord Monks; Baroness Noakes.

Evidence Session No. 3

Heard in Public

Questions 32 - 49

Witnesses

I: Rt Hon Lucy Frazer QC MP, Financial Secretary to the Treasury; Carol Bristow, Director of Individuals Policy, HMRC; Pete Downing, Deputy Director, Employment Status and Intermediaries, HMRC; Suzy Kantor, Director, Personal Tax, Welfare & Pensions, HM Treasury.

Examination of witnesses

Lucy Frazer MP, Carol Bristow, Pete Downing and Suzy Kantor.

Q32 The Chair: Good afternoon and welcome to this meeting of the Finance Bill Sub-Committee. Thank you for joining us. Minister, would you like to introduce yourself? Then maybe your team can introduce themselves.

Lucy Frazer MP: Thank you very much for having me here today.

The Chair: Let us pause for a second. We will come back. We will just vote.

Sitting suspended for a Division in the House.

On resuming—

The Chair: Welcome back. Thank you for that pause. Would you like to introduce yourself, Minister, and your colleagues after you?

Lucy Frazer MP: I am the Financial Secretary to the Treasury.

Suzy Kantor: I am the director for personal tax, welfare and pensions at the Treasury.

Pete Downing: I am the deputy director for employment status and intermediaries, HMRC.

Carol Bristow: I am the director of individuals policy in HMRC.

Q33 **The Chair:** Thank you all for coming and, indeed, for the contributions you have made so far to this brief inquiry. I will start with a question to you, Minister, if I may. Taking a few steps back, from a policy perspective would you say that the new off-payroll working rules have achieved their objective?

Lucy Frazer MP: To answer that question, we have to say what the objective was. It was to ensure that people who were in effect employed would pay employment taxes. That was to ensure fairness, because there were some people who were previously doing the same job in the same company, but one was paying tax as an employed person and one was not. Therefore, they were not being treated equally, even though effectively they were doing the same job.

From that perspective, we would say that they have been effective, yes, because that is what we have achieved. If you look at HMRC's external analysis of the 2017 reforms, at least 50,000 people were enrolled in PAYE schemes in the public sector who were previously providing services through personal service companies, generating additional revenue of £250 million in 2017-18 and £275 million in 2018-19. We also know that before the April 2021 reform around 8,000 people a month in the public sector were working inside the rules. There has been a shift, so it has been effective from that perspective. The private sector data is not complete yet, but we are seeing a trend in the same direction.

It is also really important to say that the reforms we made were not new. They were implementing or amending a system that had been in operation for about 20 years. It was just that the accountability for saying whether people fell inside or outside IR35 was with the individual and not the company. The policy has been in place for 20 years. What we were doing was shifting the responsibility to the company engaging the individual, because we were going to be losing an estimated £1.3 billion a year in tax revenues by 2023/24.

The Chair: I have one question on the policy point about the shift, and another point just looking back. On the policy point, I note that you defined the policy objective. You did not say—that this may be a point of process—that you wanted to make this change as simple as possible. Is this point about simplicity in the tax system part and parcel of the overriding objective?

Lucy Frazer MP: The principle was fairness: everyone doing the same job should be paying the same tax. If you are effectively employed, you should pay employment taxes.

The Chair: I just want to ask one quick point on looking back. The very helpful note that HMRC sent us—we received it today, for which thanks—said that the research published in 2021 did not see any systemic challenges that organisations faced in applying the rules. We are talking here about the previous set of changes. I am interested in the fact that it says that that did not show any systemic challenges that organisations faced. I take it that “organisations” includes public sector organisations.

There have been a number of cases in which public sector bodies themselves have faced bills from HMRC, including the Her Majesty’s Courts & Tribunals Service, which includes, I take it, the Upper Tribunal. The DWP—“£117 million IR35 failure” is the headline in front of me—and the Home Office, which had a £4 million penalty for error. Does that not suggest to you that there were faults with the previous set of changes? Do you feel that those have been addressed up until now?

Lucy Frazer MP: The 2017 changes were brought in quite quickly. It is right to say that HMRC did a lot of work to make the system fairer and simpler, and to educate companies. Having read quite a lot of the written evidence, I think that much of that work was appreciated and did make the system simpler and easier to use. About CEST—

The Chair: We will come on to CEST in depth.

Lucy Frazer MP: We put a significant amount of money into that to make it an effective operational tool. Yes, it is right to say that, as with any system that comes in, especially a new one that comes in at speed, we needed to make improvements. HMRC has made a significant number of improvements.

Q34 **Baroness Kramer:** This is just a question for clarification. You carefully used the phrase “fairness” and then said that people doing the same job, in effect, were paying the same tax. You were in no way implying that they had the same employment rights, were you?

Lucy Frazer MP: There are different employment rights that attach. Rights are another issue, but the vast majority of people are paying the right tax. When you are doing a job that is the same as someone else’s, it is really important that you pay the same tax.

Baroness Kramer: I just wanted to clarify that you were in no way implying that they had the same rights.

Lucy Frazer MP: No. If you work in a personal service company, you have different rights from those you would have if you were employed.

The Chair: Is that fair? We will come on to this at the end, but, given that you raise it, if fairness is the overall objective, is it right that we have landed in a situation where you can pay similar rates of tax and have very different levels of employment rights?

Lucy Frazer MP: I know the committee is really interested in the Taylor reforms and proposals. I know there is a big, complex question about

where rights fall and how we should treat them. From a tax perspective, the starting point of HMRC is that, if you are truly employed, you should be paying the—

The Chair: From the people's perspective, you might say that that is a bit of a siloed approach. Fairness should apply right across the board. Would you agree on that?

Lucy Frazer MP: I understand that perspective.

The Chair: We will come back to that.

Q35 **Baroness Noakes:** Minister, I know you were not around for the implementation of the rules, because you have recently taken over the portfolio. Have you formed a view on how well the implementation of the private sector rules has gone? Have any particular problems arisen, or have there been any improvements that could have been made? What is your overall assessment of the implementation?

Lucy Frazer MP: As I touched on, when we brought the changes for the public sector in in 2017 it was a little rushed. To prepare for the private sector changes, we had a 12-week consultation, which was published in May 2018. To give businesses time to prepare, we said that we would not bring it in until April 2020. In fact, on your recommendation and following the meeting with you, it was decided to delay that to 2021. In that time, HMRC did a lot of work. As I say, it spent £1.1 million on CEST. It learned lessons. It developed sector-specific content. It produced a large number of fact sheets. It hosted more than 40 joint events with stakeholders. It made 949 calls with the largest businesses.

You have asked me whether it worked. The answer is that a number of the stakeholders recognise the significant amount of work that has been put in. In their evidence session, both CIOT and LITRG commented on HMRC's much improved system. I know the CBI told the committee that the majority of businesses were prepared. In its written evidence, I spotted that the Chartered Institute of Taxation said that the experience from the public sector rollout and the additional year's delay meant that HMRC was in a better position to provide support. In the study on education sites published in March 2021, three-quarters of them said that it had been easy to comply with the changes. Obviously those were the earlier ones.

I would say that HMRC put in a lot of work. There have been significant improvements. Like all systems, more improvements can be made.

Baroness Noakes: That is what I was trying to focus on. We have had evidence on the significant amount of work that HMRC put in after the public sector implementation. I was trying to get your view on how well it went and whether it could have gone better.

Lucy Frazer MP: Obviously, I was not in office at that time.

Baroness Noakes: You are now.

Lucy Frazer MP: I have not seen that progress from a day-to-day perspective over the last year. I know you will want to talk about CEST. I understand that 80% of cases get a determination. It is quite an easy system. People are now moving into the tax system that we think is appropriate for them. From that perspective, it has gone fairly well.

The Chair: Have a sufficient number of people been deployed to this? We were told that there are 21 FTEs in HMRC. Is that sufficient?

Lucy Frazer MP: Shall I bring Peter in on the mechanics of the operation of HMRC?

The Chair: Yes.

Pete Downing: The note we sent this morning said that 30 FTEs are deployed to the compliance team.

Baroness Kramer: That is for off-payroll working. For CEST you will find that it is—

The Chair: I am sorry; I am talking about the CEST tool. Before we get into CEST, because it is a whole realm in itself, let us just talk about the overall staffing. What was the figure you gave—30?

Pete Downing: Around 30 comprise the specialist compliance team that deals with off-payroll in HMRC. That is being expanded by another few before the end of this financial year. That was in the note that we sent you this morning.

The Chair: It is in the region of 30. I am just interested in how that measures up and compares with previous big changes in tax law. I have no idea. Is it a lot? Is it a little? How does that compare with other big implementations that you have had to introduce?

Pete Downing: Without a particular comparator, I am not quite sure how to answer that question.

The Chair: The only reason is that 30 people may be quite a lot in your world, but, from where I sit, given the number of people this is having an impact on and the number of queries you might be getting, I question whether that is enough.

Carol Bristow: It is very difficult to make direct comparisons between different changes in tax law. In preparing businesses, a lot of the work we did in the run-up to April 2020 and the more focused support in the run-up to 2021 is continuing. We are doing significant work in continuing to engage with stakeholders through the IR35 Forum, and with the largest businesses through our customer compliance framework. We are responding by trying to provide further and more bespoke guidance and support on particular sectors and specific situations where employers want it.

A number of people in our compliance effort in this first year, as the committee will have noted from our compliance strategy, which was published in February, are working with businesses to look at their systems. Have they introduced the reform appropriately? Are their systems working appropriately? We are trying to take a softer and more supportive approach rather than opening inquiries at each point. We will keep resourcing issues under advisement and, if we need more, we will look at that.

Q36 **Baroness Harding of Winscombe:** I suspect Baroness Kramer and I will come at this from the same direction. I wanted to push on the 21 people for a second. Minister, you have said, as has HMRC, that roughly 20% of inquiries using the CEST tool come out with an indeterminate answer. There are 1.8 million uses. That means that you have—let us round it for simplicity—a couple of hundred thousand cases or user instances where the answer is indeterminate, and you have 21 people managing that. How can that be achievable? They must be working pretty hard.

Lucy Frazer MP: If there is an issue with turnaround time, it has not been raised with me. I am very happy to get back to you on that.

Pete Downing: I can provide you with some data on the use of our helpline that supports people who come through CEST. Over the last 12 months, we have had an average of 2,700 calls per month on that helpline. Our average customer satisfaction for calls is about 80%. Between March 2020 and November 2021, 98.6% of calls were answered, which includes work on the off-payroll rules and CEST. The average call waiting time from selecting the option for the IR35 Helpline to being connected to an advisor was about 45 seconds. It is right to say that not everyone who goes through CEST and gets an indeterminate answer will ring up. We have other methods of support. There is written guidance, which provides people with a backstop to look at the principles that HMRC would engage. That gives you an idea of the data on calls.

The Chair: That is very good.

Baroness Kramer: Mine was a similar question. Looking at the workers using an intermediary and those with direct engagement, about 375,000 uses are getting an indeterminate response. I simply divided that by 21, which means 70 a day for each person in that team of 21, if everyone is calling them. Even if half of them are calling, my God, that is an extraordinary workload. If a quarter are calling, that is a huge workload. I am very impressed that they are only holding for 45 seconds. When this transcript goes out, we will undoubtedly hear from people. It will be really interesting to see whether there is a match.

Lucy Frazer MP: I am sure we will.

Q37 **Lord Monks:** Minister, we have heard from quite a number of the witnesses who have been before us on this inquiry about the impact of the rules on the labour market and what effects they are having there.

People are alleging that there is a reduction in the number of workers working flexibly, which I guess is part of the reason for the exercise in the first place. Some of them are working far too flexibly as far as tax and national insurance are concerned. We will lose, are losing or have lost a lot of high-skilled workers who do not want to work under the new regimes. They are either going home, particularly if they were migrants from central and eastern Europe, or going to work only for smaller companies that are not covered in the same way. Some are just quitting.

Perhaps the most serious allegation is that the recent problem we have had with the shortage of lorry drivers has been caused, at least in part, by these changes. It is difficult to disentangle them from pandemic and Brexit-related issues, but that is the allegation. I am interested in what you say to those charges. If true, it could have some impact on our economy and economic growth.

Lucy Frazer MP: That is a really important question for us at the Treasury, because we want to ensure that the economy is as resilient as possible. You will know that getting people into jobs and work is a priority for the Chancellor. The starting point is that, on a macro scale, it is very difficult to assess the particular impact of this reform, given that there are 29 million employees and, we estimate, about 180,000 personal service companies in the private sector would be considered inside the rules. It is quite difficult to look at the workforce as a whole across all sectors and say, "This is definitely the impact of that". You rightly mention the other things that are happening at the moment, Brexit and Covid, which are having a massive effect on labour supply.

That is the big picture. In terms of what we do know, having looked at the 2017 reforms, in the public sector it was reported that there was no significant change in labour market supply. The independent research found that there was no significant disruption to the sector or its use of contingent labour as a result of the off-payroll reforms. We also know what I referred to earlier: that quite a lot of people did go into paid employment. We estimate that at least 50,000 people entered PAYE schemes in the public sector. We know that a proportion of them, 8,000 a month, were working through their personal service company inside the rules in the public sector. Given that the 2021 reforms were so recent, it is difficult to know the impact of that, but, as you will know, we are analysing that at the moment; we are doing fieldwork and will report on that later next year.

Can I just address the particular point you made about hauliers? I know that people have said, and the CBI has said, that it is difficult to recruit in transport because of IR35. Only 3% of those working in the road and freight industry are operating through a personal service company, so the impact due to IR35 would have been very insignificant in that particular sector. We are continuing to look at this. We are really keen to have a good understanding of the labour market and are gathering information on the changes. We will look at that and put a report together in due course.

Suzy Kantor: Perhaps I can just add to the point about hauliers. As the Minister says, a very small percentage of people working through the classification of road and freight were in PSCs. It is worth saying that the HGV shortage is not just a UK issue; it is global. Transport Intelligence estimates that there is a shortage of around 400,000 in Europe. It is not just the UK that is seeing this. It is related to the disruption in global supply chains caused by advanced economies reopening after the pandemic.

The Government have taken a number of steps to ease pressure in that sector, including temporary visas to provide support for those in food and fuel industries, deploying MoD examiners to increase testing capacity, writing to people with existing licences, and extending the suspension of the HGV levy. The recent spending review announced an investment in skills bootcamps and improving lorry facilities to improve the working conditions of those working in that sector.

Lucy Frazer MP: Can I bring in another point? There are some sectors where it is not usual to have a personal service company operating and where we have labour shortages. Hospitality, for instance, does not have a large number of people working through personal service companies, and we know there are significant shortages in hospitality. It is very difficult to say, "We have a shortage in this, which is down to that particular reason". There is a lot going on at the moment. We are looking into it.

Lord Monks: Would this be a fair characterisation of the Government's attitude? We are introducing a major element of regulation into what has for many years been a murky area of employment law and of taxation and national insurance law, which people have not really sorted out before. There could well be some of the effects that people are talking about, such as people not liking the new regime and doing something else or going somewhere else, but this is a price worth paying—to use a quote from another context. Do you think it is a price worth paying to make these changes?

Lucy Frazer MP: To come back to what I said at the beginning, these changes were made 20 years ago. We have just tried to make sure that the system we brought in place 20 years ago is complied with. I know that has come at a very difficult time, which is why the changes were delayed. We were going to have a £1.3 billion tax gap. It is the responsibility of HMRC to collect taxes. It is the duty of individuals to pay taxes.

We all have to pay for public services. At the moment we have a pandemic. Some £400 billion has gone in serving that and making sure that we protect the NHS. In normal times it is really important, as it is now, to protect education and to have police officers on the streets. That money has to come from somewhere, and it is the duty of HMRC to enforce the rules to ensure that we have money in our public services.

The Chair: I can see that, but it is also the duty of the Treasury to get

the balance right between doing that and making sure that we have a flexible labour market. Has this made the labour market less flexible?

Lucy Frazer MP: We have seen a number of people going into PAYE. Personal service companies are still available to those who want to use them. As I said, we have seen around 8,000 people remaining off-payroll in the public sector. They are still being used. Maybe some people have taken the sorts of decisions that you raise: working in small companies, going abroad or retiring. Interestingly, the labour market shortage after Covid has been among the over-50s.

The Chair: I am sorry to press you on it, but it is just that the Association of Professional Staffing Companies said, bluntly, that off-payroll working has contributed to job vacancies as it has reduced the flexibility of the UK's labour market. You would disagree with that.

Lucy Frazer MP: We are doing a study on the impact.

The Chair: So it might have done.

Lucy Frazer MP: When I have seen the evidence of the study, I will very happily tell you what the position is.

Q38 **Baroness Harding of Winscombe:** In a similar vein, I want to go back to your statement that, because we have shortages in labour markets where people do not use personal service companies, we cannot therefore assume that personal service companies are causing labour shortages in markets where they are used.

That is a bit of a logical non sequitur. I want to focus on the markets where people have used and do use personal service companies. Are you saying that there is no evidence that these changes have contributed to shortages in sectors such as technology and programme management? We have heard a number of witnesses, both in person and in writing, saying that it has.

Lucy Frazer MP: I understand that those statements have been made, and I understand the concerns of the people who are providing those services. They are really disappointed with the changes that have come in. I do not dispute that some people have changed their working practices. They may very well have done that.

Looking at the independent research that we did in 2017, most central bodies and sites said there was no change in their ability to fill contractor vacancies after the reforms. The same report said that most public bodies reported that their ability to fill contractor vacancies had not changed since April 2017. In March 2020, one agency's research said some agencies reported a decrease in the number of contractors on their books since 2017. Where this was the case, it was more common for this decrease to be attributed to external factors such as the UK exit from the EU and Covid, rather than the 2017 reforms.

I am not disputing that there are possible changes to some people's behaviour, but we probably need to look at the extent of that and the impact on the labour market.

Suzy Kantor: Individuals are still able to continue to provide their services through personal service companies. They are able to provide the skills they have in the labour market. Those who are genuinely self-employed will not be impacted by these reforms, which are for those people who have been providing services in a way that is an employment relationship.

There are different ways in which they can then engage in that. They can engage through a personal service company by paying the right amount of employment taxes, or as a direct employee of an end engager, an agency or an umbrella company. Those services can be provided into the market. As the Minister has said, we have not seen from the research a major disruption in demand to the skills those people bring to the market.

Q39 **Baroness Kramer:** I wonder whether I could do a little more fact checking. I want to pick up on the point you just made, Ms Kantor, but first I want to check something with the Minister. You talked about the tax gap. Just to confirm, that is an estimated tax gap based on a series of assumptions, many of which are quite widely disputed, if I have that correctly. In fact, the assumptions do not fit with many people's interpretation of rulings by the tribunal and case law. That is correct, is it not, in terms of describing the methodology of reaching the tax gap? It gets talked about as if it were fact. I just wanted to confirm that it is not fact.

Carol Bristow: It is certainly an estimate; you are absolutely right. It is well established and transparent. The OBR looks at the way in which those tax gap estimates are put together and certifies them. It is definitely an estimate, but with a quite good body of analysis and data sitting underneath it. It is a tried and tested method for how HMRC in the UK looks at taxes that are not currently being collected.

Baroness Kramer: Again, I am just trying to get a grip on things. I could be so wrong on this. I had understood that there were more personal service companies than 180,000. I thought the number was closer to 240,000, of which the estimate was that 180,000 ought to be PAYE, leaving only 60,000 as compliant in the definition HMRC would use. Do I have that number right?

Carol Bristow: Our estimate is that, of the total number of personal service companies, we expect 180,000 to be engagements that we would properly characterise as "employment", leaving 60,000 as being properly self-employed engagements.

Baroness Kramer: It is just that, when we start to look at cost numbers and the implementation of rules, the numbers are relevant.

You were making the point, Ms Kantor, about personal service companies

having the right to continue to function as personal service companies. We have received quite a bit of evidence from people who find that, for an employer or an engager, this creates a problem: they are either not offered work or they are offered work only if they accept PAYE status—in other words, if they go through an umbrella company or an agency, or in some other way pay the various employment taxes, including picking up the employer's NICs.

It is a slightly more complex picture, is it not? Legally, and perhaps even under tax law, many people could continue to act as personal service companies, but there is now a level of friction, cost and risk embedded in making that decision that did not exist before.

Suzy Kantor: Absent a personal service company, the employer or end user is making a judgment about what the right kind of engagement is for them, depending on the work they have to offer. Once they have determined that the work and the role is an employment relationship, these rules make them responsible for ensuring that employment taxes are paid. They will be making commercial decisions with the people whom they are contracting about whether they are willing to do that with them working through a PSC but deducting PAYE and NICs, whether they are prepared to offer roles on payroll or whether those roles will be provided through an umbrella company or an agency.

Baroness Kramer: The appeal process for the personal service company that is involved is just back to the engager, is it not? There is no third-party tribunal; there is no appeal mechanism or whatever else. They can ask the engager to think again, but that is their only right to resist, if they think they have been wrongly treated, other than going to a tax tribunal. Do I have that right?

Suzy Kantor: Yes. Maybe Pete can talk about this, but the appeals process is an employer-led appeal process. That is correct.

Pete Downing: There is a defined process for dispute by the contractor with the engager who is making a determination of status for a PSC. You have heard evidence from IPSE that that is having an effect and changing people's status in some cases, which is encouraging to hear. Yes, that process in particular finishes with the right of the engager to make a final determination on the tax status of the engagement.

Q40 **Lord Butler of Brockwell:** This is a good moment for me to come in on this. This means that the engager determines or may determine a person's tax status and they have no further appeal. Here am I, a contractor, and the engager tells me what my tax relations with HMRC are. I have no appeal against it. Is that right?

Lucy Frazer MP: The rules are set out as to when you fall within the particular provisions or not. I would expect an employer to go through the appropriate process. There are cases that go to tribunal. They are small, but 38 cases have been taken to a tribunal since 2000 under the

old IR35 rules. Some people do have a legal determination at the end of the day.

Lord Butler of Brockwell: Yes, but it is the case, is it not, that the employer has an incentive to determine that somebody is inside IR35?

Lucy Frazer MP: Actually, the incentive is the other way, because they will have to pay more tax if they are inside IR35. The figures that go through the CEST tool—

The Chair: We will come on to CEST in just a second.

Lucy Frazer MP: I cannot remember what it is, but over 50% of outcomes from CEST conclude that the engagements are not to be treated as subject to employment taxes. When determinations are made, employers are determining that they are not employees and that they can continue. It is in their interests to do so.

Lord Butler of Brockwell: If they have that incentive, they have an incentive to make a particular determination. That does not seem to me to be right. Really it is for the individual to establish their relationship with HMRC, not a third party.

Lucy Frazer MP: We have shifted the responsibility, I expect, because those determinations were not being correctly made. Therefore, we needed to take some action to ensure that the appropriate determinations were made in order to collect the tax.

Officials will correct me if I am wrong, as I am new in post, but it is important that both sides are comfortable with the tax relationship that they have. If someone wants to be employed by a personal service company and the company is not happy with that because issues might be raised one day with HMRC, the company can say that it is not willing to do that.

Lord Butler of Brockwell: We know that not all employers make a Status Determination Statement (SDS); they do not make a status determination. What is HMRC doing about the companies that do not?

Lucy Frazer MP: At the moment, our approach to enforcement of penalties is very light touch, because we do not want people to be reluctant to engage with us. We want to help them; we want to ensure that everyone understands the rules and engages with us on the rules. At the moment, we have a very light-touch penalty system. After 12 months, we will take penal action where that is appropriate.

Lord Butler of Brockwell: Does that seem to be working?

Lucy Frazer MP: At the moment, we have this light-touch or soft-touch approach.

Carol Bristow: Coming back to the point about determining status, the engager and the person they are engaging are looking at whether the

contractual relationship is one of self-employment or employment. The tax consequences follow from that. We would suggest that employers are well placed to make, and quite familiar with making, determinations as to the terms on which they are contracting for services.

In terms of our broader compliance approach, it is probably safe to say that it is quite early days. We have written to and engaged with the biggest employers in some of these areas, and we are trying to get information from our front-line customer compliance managers, who engage with the largest businesses, and speaking to the IR35 Forum to stakeholders. We will get more information, but we are definitely keeping an eye on monitoring and evaluating. Our plan is to try to encourage employers to self-correct. We are not going to charge penalties when we see an error. We are trying to get employers into good habits and to have good systems and processes in order to make correct determinations.

Q41 **Baroness Noakes:** I want to pursue this issue about whether there is an appeal. We got evidence that it was thought possible that some of the contractors who were determined by the employer to be inside the rules would just say, "Okay, that's fine. I'll challenge it on my self-assessment return, because I'll say on my self-assessment return that I'm not an employee. I pay tax in this way, and we'll sort that out separately". That was put to us in the context of the employers, the engagers, having concerns about the implications of that for them down the line. I wonder whether you have given any thought to this area. If that is true, there could be a major spanner in the works coming to hit the process down the line.

Lucy Frazer MP: That does not sound very appropriate to me.

Baroness Noakes: It is not appropriate for an individual to use their self-assessment to—

Lucy Frazer MP: Both parties have to agree the appropriate tax, because they will both have liabilities, if they are an employee. It seems to me that both should be ad idem on that.

Baroness Noakes: The contractor may think, "There's no point in me arguing with this employer. I've still got the right to fill in my self-assessment tax return in the way that I think is appropriate". Can you confirm that that would continue to be the case?

Pete Downing: That is the case. As with an employee under Pay As You Earn, for example, where there is a strong read-across, the reform has effectively put PSCs in a very similar position to direct engagement of an employee under Pay As You Earn. The employer there makes the determination.

In the final analysis, if a contractor makes a self-assessment return, they can disagree with that status assessment in that return. That is subject to them making sure that they are taking reasonable care in order to do so, because there is a potential liability to penalties if they have got that

wrong. They would also have to make similar amendments, for example, to their company tax return to make sure that they were reflecting the correct position, as they saw it, for all the entities that might be impacted.

Q42 Baroness Kramer: Let me go on to cost, although I had a follow-up question because what we have just heard may have been missing a piece. You cannot reclaim tax that you have paid. If they pay corporation tax and they are paying NICs, they cannot reclaim it.

You said that employers had an incentive not to treat people as employees, because they would then have to pay employer's NICs. What we hear overwhelmingly is that, except for the rare, exceptional and very powerful contractors that can command whatever they like, that cost is being passed straight through to the contractor. Employers are not looking at it as an additional cost; they are looking at it as a cost that they take out of whatever they would have paid previously. I hope you will verify that in the work you do. It is an answer that we would look for.

On the cost to businesses of applying these new rules, you have raised your estimate to £19.7 million in one-off costs and £8.4 million in ongoing costs. If we look at that £19.7 million figure and the 180,000 personal service companies which the Government estimate need to enter some sort of employment tax system, there would presumably be an admin cost of just over £100 each to find out the information and check the data. That does not include the cost that would fall on recruiters and engagers.

I am just trying to work out whether that £19.7 million cost is an adequate one. Is the £8.4 million in ongoing costs adequate? Are you tracking this in some way so that we know whether that was an accurate estimate?

Lucy Frazer MP: I have two points on that, and then I will bring in Carol. When we did our estimate, we asked the independent Administrative Burdens Advisory Board what it thought of this. It commented that our approach to these estimates was sound and reasonable. There are some figures in the 2017 report about how much public bodies spent on setting up their processes. The set-up costs are in the thousands, whereas I have seen a figure of several million that some companies are asserting. The public authorities also said that they felt the admin costs would decrease over time as their experience grew. I do not know, Carol, whether you want to add to that.

Carol Bristow: If it is helpful, what we are looking at in that estimate of admin burdens is definitely something that we will come back to in the research to get a better understanding of the burdens on engagers of moving to the reform. It is something we will find out more about.

Baroness Kramer: You are only looking at engagers. You are not looking at recruiters or the personal service companies.

Carol Bristow: Personal service companies no longer have to make the determination on status. They have been relieved of an admin burden under this reform.

Baroness Kramer: That is unless they are trying to verify their status and decide whether—

Carol Bristow: That would be true if they wanted to use CEST to test whether the engager has made the correct determination. That is completely right. The burden in making the determination on status now falls significantly on the engager—the end client of those services. This cost estimate is in line with the way HMRC measures or estimates admin burdens. It has been looked at in that context.

In particular, we know that some businesses may have spent significantly more than we might argue is the minimum required to be able to implement the reforms. We have certainly seen some carrying out discretionary activity and taking the opportunity to look at their contracting practices, which our estimates would not cover. We definitely recognise that businesses will incur a range of costs, not all of which are directly necessary for compliance with the rules. We will look at admin burdens in the context of our research and our review of the implementation.

Baroness Kramer: Are you almost hoping that they spend more? If they were to give each contractor a truly individualised assessment rather than a blanket assessment, that would surely be quite a costly process.

Carol Bristow: The one-off cost is expected to look at the way an employer or an end client will adapt their systems and processes, and educate their own staff about making these contract decisions and how that needs to get them ready for the reforms in April 2021. We expect the ongoing burden to decline as those engagers become more used to the reform and their systems become bedded in.

Q43 **The Chair:** Can we move on to the subject of CEST? I will start with a very simple question. Can you define the purpose of CEST for the avoidance of doubt? Can you assure us that it is fit for purpose?

Lucy Frazer MP: The purpose of CEST is to determine status for tax. HMRC stands by the determinations that are made. I know you know the stats: 80% of cases get a clear determination. If we wanted it to determine 100% of cases, we would have to make it quite complicated. HMRC has decided that, in order for it to be easy to use, not be expensive and not take up too much of people's time, it will not deal with 100% of cases. As we have discussed, the 20% can have some telephone support to come to their determination.

The Chair: That is very clear, but it begs the question as to whether the lack of clarity for that 20% begins to drive a coach and horses through the whole process, because it introduces complexity, confusion and all the things that we keep hearing about around the whole process, does it not?

Lucy Frazer MP: After those telephone conversations, there should be that clarity. We heard from Pete the stats on the effectiveness of the telephone conversations. There will be a few that are very difficult.

The Chair: I just put it to you that the situation with CEST is so bad, you could say, that it has given rise to a whole new market of private providers guiding you through this labyrinth. You only have to type in "CEST off-payroll working" and you get all these offers of help and support.

Lucy Frazer MP: I would not describe it like that, just to be clear. It is meant to be simple and easy to use. In fact, in our external research with public sector organisations, a majority of organisations reported that they did use CEST. Of those, the majority—

The Chair: I am sorry to interrupt you. The figures are interesting, but the CBI has said that CEST is "oversimplified". This is the problem that we have got to; it has now become oversimplified. Specifically, mutuality of obligation is not in there, because it is so difficult. It is a tool that is really not worth it for many people. It will introduce complexity for many people.

Lucy Frazer MP: I beg to differ. If it determines 80% of cases, that is a high number. By some distance, a majority are getting the determination they need. Some 20% need more complex determination. We are offering that in a different forum and not complicating the tool. The number of tribunal cases that I gave you earlier, which is low, does in some way show that there are not a vast number of cases going to some form of litigation.

The Chair: Does it worry you that you can essentially game CEST to get the right answer?

Lucy Frazer MP: We would not accept that you can. There are a certain number of questions, and those need to be answered correctly and accurately.

The Chair: So you are saying that it is not possible to come up with some clever way in which you can get the answer you want, despite people telling us that it is.

Lucy Frazer MP: You will take your own evidence. If people are answering the questions we have set accurately and appropriately, they ought to get the determination that the tool provides.

Q44 **The Chair:** Can you just talk through your understanding of what impact, if any, the recent decision in HMRC v PGMOL has upon mutuality of obligation and CEST overall?

Lucy Frazer MP: This is one for Pete.

Pete Downing: The Professional Game Match Officials Ltd case was a case in the Court of Appeal against HMRC. The point at issue was the

status of a group of referees. The issues in the Court of Appeal were control in an employment status sense and the question of the irreducible minimum as a test for mutuality of obligation—whether there was sufficient mutuality of obligation for the referees to be in an employment relationship with PGMOL.

Leaving matters of control aside, because the committee is interested in mutuality of obligation, we take from that case that the irreducible minimum test for mutuality of obligation is as we have said it is for some years now and, indeed, reflects how CEST treats that for the purposes of determining employment status.

Baroness Kramer: I have a quick question. You just said that you were setting aside control, because we are interested in mutuality of obligation. Our interest in fact is in the impact of mutuality of obligation on control and not control as defined within the CEST test. Those are the issues that have gone back to the First-tier Tribunal. I am just suggesting that the clarity of the decision is in fact within a very narrow sphere.

Others will come in on this, because I have not particularly looked at it in preparation for today but others may have. My understanding is that it was clear that the overarching contract did not meet the test of mutuality of obligation, only the specific contract between a referee and a football club for one specific engagement. That is a very narrow test. The overarching contract did not meet the test of mutuality of obligation, so it put control into play in a very fundamental way.

I am not asking you for a decision on it. What I am trying to say is that this area, from what I understand, is far more complex and will need further court rulings. There was also a reasonableness test that the court also underscored, was there not?

Pete Downing: I will have to go back to the judgment to look for a reasonableness test. I saw the evidence that you took from the Employment Lawyers Association. I was pleased to see that we broadly agreed on what I would call the irreducible minimum for mutuality of obligation. The question is whether someone has to work under a contract and whether they are given some kind of pecuniary reward for their work under that contract. That is, as the Court of Appeal would have it, the minimum irreducible mutuality of obligation test for employment status.

I read Stephen Ratcliffe's view that there was an element of control in the question of mutuality. I see where he is coming from, particularly in the case of *Secretary of State for Justice v Windle*, to which he referred. We have never suggested that the broader obligations on workers and their engagers are irrelevant to the question of employment status. In fact, we published a view as part of a discussion with our stakeholder forum, the IR35 Forum, earlier this year or last year. That set out our view in detail. We definitely nodded to the case of the *Secretary of State for Justice v Windle*. This could be one of a number of factors that indicate one way or another.

We come back to the fundamental purpose of CEST. CEST is a guidance tool. It has given a determination in 80% of cases. It indicates where people have cases that we consider to be self-employed cases. As I understand it, that is of great value to people. They answer 37 reasonably objective questions as opposed to engaging with the case law test for status, and they get a determination in 80% of cases that tells them what our view is.

On the question of mutuality and whether we seek to introduce a new question, you heard evidence from Mr Ratcliffe that you could not come up with a tool like this that determined 100% of cases. There is a real hard core of cases that are difficult to determine without human interaction. The question of whether you introduce a new question for an extended mutuality of obligation test would come down this: would it give you more certainty in more cases; does it balance the usability of the tool with the number of determinations that you get? The distance between HMRC's view and the other evidence you have had on mutuality is rather less than you might think it is.

The Chair: Can I jump in to clarify and get an assurance on one point? HMRC is therefore not in practice treating CEST as the only test of payroll status.

Pete Downing: HMRC is not treating CEST as the only determiner of off-payroll status. It is important to our customers that we have a commitment that says, "If you answer the questions in CEST correctly, you can rely on that determination". That is very valuable to our customers. No, we have never sought to exclude other tools from the market, if that is how people wish to take advice on this particular tax matter. It is relatively normal in the tax sphere for our guidance to sit alongside advice from other people.

Q45 **Baroness Noakes:** Looking at the issue of whether blanket assessments are used, we have heard evidence, which I am sure you have seen, that some engagers are making blanket assessments and saying, "Anybody employed in this category of worker will be treated as within the rules", and therefore not going through an individual assessment. Are you aware that this is an issue? If so, what are you planning to do about it?

Lucy Frazer MP: I have seen that evidence. Our view is that there is not widespread blanket assessment. Widespread blanket assessment is not supported by the analysis that we have done. Turning to the 2021 report on education, the vast majority—86%—assess contracts on a case-by-case basis, and 31% used role-based determination.

Baroness Noakes: That is for the old rules, though, is it not?

Lucy Frazer MP: That is the public sector reform, yes. CEST has been used by hirers 1.1 million times between November 2019 and August 2021, which suggests that case-by-case determinations are being made by companies.

Baroness Noakes: If you did find evidence, what would you do?

Lucy Frazer MP: I want to make sure that we all understand that there is a distinction here. To the point that was made earlier, a company might say, "I'm not willing to engage in this at all". That is not a blanket determination. That is saying, "I'm not willing to employ you if you're going to work through a personal service company". You might say that that is a bad consequence of the reforms, but it is a legitimate decision for a company to take. It is possible that that is happening, but we are not seeing in our research so far people making blanket determinations in cases as a whole.

Baroness Noakes: From a contractor perspective, what you have just described is what they are seeing.

Lucy Frazer MP: It may be.

Q46 **Baroness Harding of Winscombe:** I wonder whether we could move on to umbrella companies. We have had evidence that off-payroll working rules have led to an increase in the use of umbrella companies, with some engagers effectively forcing contractors to use them. Is that the reason for the recent call for evidence on umbrella companies?

Lucy Frazer MP: The reason for it is set out in the call for evidence. We have said that the Government want to have an up-to-date and well-informed view of how the umbrella company market operates. We want a cross-governmental understanding of the issues, given that a number of issues have been raised to us.

Baroness Harding of Winscombe: When do the Government expect legislation to be introduced to set up the regulatory body for umbrella companies?

Lucy Frazer MP: You are talking about the single enforcement body.

Baroness Harding of Winscombe: Yes.

Suzy Kantor: That will be as soon as parliamentary time allows for an employment Bill.

Baroness Harding of Winscombe: We have been waiting a couple of years for this already.

Suzy Kantor: Given that we have had this pandemic and an unprecedented impact on labour markets, the priority in labour markets has been to deliver the Plan for jobs and to make sure we have the right support in place for people who have had time out of the labour market to help them transition back into roles and progress through roles. The Government have made commitments about what they will bring forward in an employment Bill and that that Bill will be brought forward as parliamentary time allows.

Baroness Harding of Winscombe: Are you not worried about this? As I say, we have heard evidence that suggests that, even if this is only a minority, this is pushing people towards potentially disreputable umbrella

companies. Not all of them are disreputable, but certainly we have heard the view that the current rules mean that the disreputable ones will win out, particularly in the sectors where the contractors are least able to fight back. Should that not push the Government to take action sooner rather than later?

Lucy Frazer MP: That is why we have made a call for evidence. It is because we really want to understand the market and make decisions, on the basis of the data that comes in, about the appropriate actions.

Suzy mentioned the single enforcement body, as have you, Baroness Harding. That is not the only measure we are taking to tackle unscrupulous activity in this arena. You will have seen that there are a number of measures in the Finance Bill, which I am taking through at the moment, to deal with promoters and those who associate with promoters. We are taking action now. Tomorrow, I will carry on taking the Finance Bill through the House, and we have made a call for evidence, which I hope will bring in some extensive and interesting evidence.

Suzy Kantor: To your point, we have done a lot of work in recent years to make sure that people understand what structure they are working for and that there is compliance with tax rules. We have introduced the key information document for agency and umbrella company workers, which sets out pay-related facts, minimum rates of pay, deductions and fees. HMRC has published guidance for umbrella company workers to explain pay statements and to help them to spot if they might be in a tax avoidance scheme.

There are awareness campaigns, such as one saying, "If it looks too good to be true, it probably is". HMRC has written to contractors who are suspected of being involved in avoidance schemes. That programme of guidance, information and awareness is really aimed at helping contractors and agencies to understand umbrella companies and how they are operating. As the Minister has said, we have taken steps to tackle the promotion of tax avoidance and to tackle avoidance through umbrella companies, particularly where we have seen fraudulent activities to exploit things like the employment allowance. We are using our civil and criminal powers to tackle those. There will also be the single enforcement body.

Just because there are bad actors in the umbrella company market does not obviate the need for these reforms, which are about addressing unfairness between employees working in the same way.

The Chair: Can I just press you on this point? I hear what you are saying: that you are undertaking a number of initiatives here. I would just point you to various comments that were made to us last week and picked up in the *Financial Times*. Let me read one to you. This is from Dave Chaplin, chief executive of IR35 Shield, a specialist software company: "Since the rollout of the off-payroll legislation, we have witnessed a significant rise in the proliferation of disguised remuneration schemes that have duped contractors into signing up for them".

There are numerous other cases like this, which this article highlights and which we have been given in evidence. The Freelancer and Contractor Services Association says that the umbrella numbers have increased 39% since March.

Am I right in saying that you are quite concerned about this? One of the big unintended consequences of this change is potentially shifting many people, unwittingly, into umbrella companies that are not compliant. That may come back to bite them. Is that a fair summation of your frame of mind at the moment?

Lucy Frazer MP: Just to be clear, as Baroness Harding said, many umbrella companies operate appropriately. It is possible that people are not going into umbrella companies; they are going into employed work. We have seen that. We have also seen people continuing in personal service companies but inside the rules. Yes, there is evidence to suggest that some of them are going into umbrella companies. That is no reason not to bring in the reforms. It is a reason to make sure that there is no unscrupulous activity, whatever structures people decide to operate.

Baroness Kramer: There is always the question about the cart and the horse. Some of the shock that we feel is that measures to deal with groups such as umbrella companies and promoters did not come ahead of the rule change, when it must have been obvious that there would have been this kind of negative consequence. You were not in post, but you are playing a pretty important catch-up game. I am just trying to assess your sense of urgency.

We saw it happen with the loan charge. It is not very difficult to rack up a very significant number of victims, comprising people who never intended to do anything wrong. The self-employed market, which once was a specialist market of people with exceptional expertise, now covers everybody down to the person who cleans your office. It is a market with plenty of people within it who are on low incomes, with relatively low ability to analyse the complexity of the tax process they are involved in.

Lucy Frazer MP: We are taking action. Suzy outlined a number of the measures that we have taken. There is the statement that you are meant to get and a number of others. We have already launched our call for evidence. We are taking action at the same time. You are saying, "You should have done it at the same time". I would just come back to my earlier point. We took this measure 20 years ago. We have not changed the policy; we have just tried to ensure compliance with the policy decisions that were made a number of years ago.

Baroness Kramer: We should just accept that there is a difference of view, because it seems to me that that is a very narrow discussion of policy. The breadth, scope and impact of the implementation on the economy and society are completely different today. I doubt many people would have recognised today's circumstances when IR35 was originally drafted.

Lucy Frazer MP: We are taking action. We have announced a call for evidence and we will look at that. You cannot not take action because some people might not play by the rules. You just have to deal with the people who do not play by the rules when you change.

Baroness Harding of Winscombe: You have to think through the unintended consequences of doing something. Recognising, as you did up front in this session, the importance of making sure that the system is fair, there are two sets of unintended consequences. The first is people who, as Baroness Kramer has just said, have every intention to play by the rules but who end up being forced towards unscrupulous umbrella companies. The risk is that a substantial number of them get caught in a spiral downwards, which nobody wants. That is one unintended consequence.

The second is at the other end, on which we have also heard evidence. I just wanted to test your degree of concern over this. The more sophisticated contractors whose skills are global, and who are in very short supply globally, we have heard, are simply leaving. Companies are telling us that they are sourcing those skills from Europe rather than from the UK. How worried are the Government and the Treasury about that brain drain as a result of these measures?

Lucy Frazer MP: We are concerned whenever there are approaches to tax evasion, and we take steps to counter those. We are concerned about those who might get caught up in that. I do not want to repeat myself, but we have taken a number of measures. They are not just the measures Suzy outlined. One measure on promoters is to make sure that we can name them so that people do not get caught up and they know what they are getting. We are taking more and more measures to ensure that we notify people of what they ought to be getting and what is appropriate in the arrangements they are getting into.

We touched on the issue of skills leaving at the beginning. It is difficult to say with any certainty. If it was happening, of course it would be a concern. We do not know with any certainty whether it is happening or, if it is, the level of that and where it is happening. We are looking into that in our review, because we want to ensure that skilled people stay here and work for our economy.

Q47 **Viscount Chandos:** Minister, you said that the objective of this tightening up of the off-payroll rules is to make sure that anybody who is effectively employed is taxed as if they were employed. That surely should mean that the tax is paid by the party who, if they were employed, would be paying the tax or, as relevant, national insurance. Baroness Kramer has already raised the evidence we have received that, particularly with smaller contractors, engagers are unilaterally deducting employer's NI. That is pretty devastating for the contractor. It is also, it seems to me, a loss of revenue for the Government, because grossing up would produce an NI take that is 10% to 15% higher than netting down. What should the Treasury be doing about that?

Lucy Frazer MP: If they are deducting NICs from agreed pay with contractors, that is illegal. They should not be doing that at all.

Viscount Chandos: They can simply say unilaterally that the terms of the contract are that, instead of the contractor receiving £100, on which they, if they were the employer, would have to pay NI on top, they simply net that down to £88, £87 or whatever.

Lucy Frazer MP: If they are taking the employer NICs, that is illegal. If they are negotiating a different fee, that is different. I would be interested to see what the evidence of that is. We are seeing wage growth across the country. We have a shortage of labour, which we have discussed in these markets in particular. In those circumstances, what we are seeing more generally and nationally is wage growth, not wage cuts. If there is evidence of that, I would be very interested to see it.

Viscount Chandos: If there were evidence, what would the Treasury and HMRC propose to do about it?

Lucy Frazer MP: It is another impact on the labour market, which we can look at in the study we are doing. The Treasury does not usually get involved in setting salaries as between commercial entities. If there is something serious to look at, I am very happy to look at it.

Viscount Chandos: Treasury-initiated action has created these transitional challenges for engagers and contractors. Saying, “We wash”—

Lucy Frazer MP: I did not say that. I said I would be very happy to look at it, if that is happening. I am not saying what we would or would not do about it. I am interested to understand what is happening in the market. We are looking at the market impacts. I would like to see the evidence before I express an informed view.

Suzy Kantor: It might be worth adding that, whenever we make changes to employer NICs, the OBR makes a set of assumptions about the pass-through of that to wages. It is quite normal for employers to set wages with regard to the overall tax bill. As the Minister says, it is illegal to deduct employer’s national insurance from an agreed salary. To the extent that we make changes to national insurance, for example, they have a standard methodology about how that will be passed through the system to employees. That will be the same if you are taking someone on directly; a contractor will be treated in the same way as any other employee of that business.

Viscount Chandos: It is complicated, is it not? It is not something that will necessarily correct itself.

Lucy Frazer MP: The labour market as a whole is about demand and supply generally in terms of what wages people are paid. If there is a shortage in these areas, I would expect there to be competitive bargaining for those who are fulfilling roles in short supply.

Viscount Chandos: That may protect some contractors in the areas that Baroness Harding referred to, but there may be an awful lot of contractors who fall into the category of poor bloody infantry who are being squeezed.

Lucy Frazer MP: We have 1.2 million vacancies for the three months to November across the country in a whole variety of sectors. Businesses across the board are seeing the need to employ more. As I mentioned, we have seen wage growth more generally.

Viscount Chandos: You have said that you would wait for the evidence. What is the Treasury doing to get evidence?

Lucy Frazer MP: At the moment, we are looking at the impacts of the reforms. We will report on that next year.

Q48 **Baroness Noakes:** Minister, you mentioned the Taylor report earlier. As you know, the committee recommended in our last report that those recommendations in the Taylor report be taken forward. Only some have been taken forward to date. Could you let us know the Government's view on taking forward the remainder of the recommendations?

Lucy Frazer MP: You are right to highlight that we have taken forward some. I will not repeat them. I know that BEIS is looking at this very closely, because it is not just about tax; it is about rights. That falls not with us but with BEIS. We will update you on this in due course.

We have to recognise the point you made at the outset about where we are at the moment globally with the disruption to businesses with Covid. If we were to make fundamental changes, we would have to consider whether this is the right time.

Baroness Noakes: It sounds as though you are kicking it into the long grass.

Lucy Frazer MP: No. We will look at that very closely. We are looking at it.

The Chair: When will we see action?

Lucy Frazer MP: I will have to update you on that.

The Chair: I ask not just because of what was in the manifesto. There was the employment status consultation, which came from BEIS, not the Treasury, back in 2018. What has happened to that? As you rightly say, that is part and parcel of what we are talking about here.

Lucy Frazer MP: I know the committee is very interested in this area, and I understand the committee's interest in rights. I do not have any news for you today about where we are going on that, but I will of course keep you updated.

Q49 **The Chair:** I understand that. Finishing where we began, you rightly said that you are driven by fairness and that this policy is driven by the need

for fairness. Let me just remind everyone of what we were told in our previous investigation of this. Many witnesses told us that it made them “zero-rights employees”, with none of the rights of being an employee or the tax advantages of being self-employed. Is that not why we urgently need to look at the whole package of rights and tax together now, as the Government promised in their manifesto?

Lucy Frazer MP: I understand why you have said that. As I said at the beginning, my interest is in the tax element. Whether or not we do the rights side, it does not mean that we should not make sure that everyone pays their fair share of tax, because that is the right thing to do. We need to recognise that we are in the middle of a pandemic and there is a particular strain on businesses at the moment.

The Chair: That does not mean that the work cannot take place. I am sorry to jump in. You and BEIS could be discussing all this and addressing what is an unfair situation. Would you agree that we are in an unfair situation?

Lucy Frazer MP: I can assure you that we are discussing with BEIS—

The Chair: Would you agree with the characterisation that what we have now is unfair?

Lucy Frazer MP: I understand the points that you make.

The Chair: Would you say the current situation is unfair?

Lucy Frazer MP: I understand where you are coming from. There are lots of different ways to look at what we should and should not do, when we should and should not do it, and how tax and rights interact.

The Chair: We have gone way over time, but you have been extremely helpful and kindly answered a comprehensive set of questions very patiently. Thank you very much, indeed, to all of you.