



HOUSE OF COMMONS

Public Accounts Committee

Oral evidence: Lessons from implementing IR35 reforms, HC 1051

Monday 21 February 2022

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Members present: Dame Meg Hillier (Chair); Sir Geoffrey Clifton-Brown; Kate Green; Craig Mackinlay; Sarah Olney; Nick Smith; James Wild.

Gareth Davies, Comptroller and Auditor General, National Audit Office; Adrian Jenner, Director of Parliamentary Relations, National Audit Office; Andy Morrison, Director, National Audit Office; and Marius Gallaher, Alternate Treasury Officer of Accounts were in attendance.

Questions 1-88

Witnesses

I: Jim Harra, Chief Executive and First Permanent Secretary, HMRC; Nicole Newbury, Director for Wealthy and Mid-Sized Business Compliance, HMRC; and Pete Downing, Deputy Director Employment Status and Intermediaries, HMRC.



Report by the Comptroller and Auditor General

Investigation into the implementation of IR35 tax reforms (HC 1103)

Examination of witnesses

Witnesses: Jim Harra, Nicole Newbury and Pete Downing.

Chair: Welcome to the Public Accounts Committee on Monday 21 February 2022. We are looking at lessons learned from implementing IR35 reforms. IR35, also known as off-payroll working, aims to ensure that workers who provide services through a limited company and who could otherwise be declared an employee pay the same amount of tax as a regular employee. They are doing regular work for a regular company, basically.

In 2017, reforms were introduced so that public bodies were responsible for determining for themselves whether IR35 applied to workers they employed. In 2021, that was extended to medium and large organisations in the private and third sectors. As ever with these reforms, things do not always go as smoothly as they seem. We want to get under the headlines and find out what has been going on, and I thank the National Audit Office for its excellent report on this.

We have a lot of interesting questions to ask of HMRC, so I am pleased to welcome our witnesses from Her Majesty's Revenue and Customs. We have Jim Harra, the chief executive and permanent secretary—welcome back, Mr Harra. We also have Nicole Newbury, the director for wealthy and mid-sized business compliance—I think this is your first time in front of us, Ms Newbury. Finally, we have Pete Downing, who is the deputy director for employment status and intermediaries policy—that is a long title, Mr Downing. I think this is your first time in front of us as well, so welcome to you. We are a friendly bunch.

Before we go into the main business, I have two Members who would like to declare an interest.

Sarah Olney: I am a member of the Association of Chartered Certified Accountants.

Craig Mackinlay: I am a chartered accountant and a chartered tax adviser. Today, I am even wearing my CIOT tie.

Chair: The real deal there. I do not quite know what the equivalent would be for Ms Olney, but there we go. Before we go into the main session, Sir Geoffrey Clifton-Brown, the deputy Chair, would like to ask a question.

Q1 **Sir Geoffrey Clifton-Brown:** Good afternoon, Mr Harra. Could you give us an update, please, on border issues affecting your Department? We have heard all sorts of reports of lorries being diverted from Dover and



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delays. One report said that even a few minutes of delay for each lorry can soon cause quite big queues at the port, so if you could give us an update that would be helpful.

Jim Harra: We introduced full import controls from 1 January 2022. Those had been intended to come in in the summer but had been postponed by six months because of the pandemic to give businesses more time to get ready. It was always the case that traders had to make import declarations, but now they have to make them at the point of, or before, importation instead of up to six months afterwards. In particular, it means that hauliers have to use the goods vehicle movement system, which has been in place for about a year and is used primarily for movements to Northern Ireland but now applies to movements between the UK and the EU really at any port that chose to use that method.

From our point of view, the changes have gone in well. The systems have worked as expected. We knew that there would be issues with the readiness of hauliers in particular and that there would be some cases where lorries would not be permitted to board the ferry because they were not ready. We saw that in pretty small numbers, and it dropped off very significantly within the first week as hauliers learned how to do this.

We do still see very low levels of turn-backs by the ferry operators of lorries that don't have the right paperwork. Most of those are resolved within 30 to 60 minutes at the roadside, and then they can re-present and check in—hopefully, to catch the same crossing that they had originally intended to cross by. So from our point of view the measures have been introduced well. We are seeing increasing levels of compliance with them and we will continue working to make sure that people can use them effectively and they get their processes as slick as they possibly can.

You are right that there have been queues to get into, for example, Dover. The traffic management system, TAP, which is used fairly frequently, was used more frequently in January than is normally the case. I think there are a variety of reasons for that. I think the port of Dover have explained that a couple of ferries were out of action for refitting and that the freight flows were higher than they had anticipated, which our own statistics back up. That was good news, but it obviously meant that this was invoked more frequently in January. But in practice, freight is moving and flowing across the border both ways.

Q2 **Sir Geoffrey Clifton-Brown:** We obviously cannot do anything about the controls that the EU puts on us exporting goods, but in terms of the import controls, for imports from the continent, that we impose, is your Department regularly reviewing these to see whether they could be simplified or in any way speeded up?

Jim Harra: Yes, obviously we are keen to keep them under review. The declarations are pretty standard customs declarations. Indeed, the processes that we have put in place largely mirror the processes that, for example, the French implemented right away, from the end of the transition period. We have, we believe, designed them to make them effective in



particular for hauliers that are carrying multiple consignments on one lorry. They can have one movement reference to link to all the declarations for what is on the lorry, thereby giving us now timeous information that we did not have before. But we are keen to keep under review whether there is anything we can do to make those more slick and also to help the industry to improve how they manage that process, whether that be the hauliers or the carriers, like the ferry companies, in terms of their own processes for boarding and unboarding.

Q3 **Sir Geoffrey Clifton-Brown:** So none of these delays have anything to do with our old friends CHIEF and CDS—migration from CHIEF to CDS? Has that started?

Jim Harra: Yes, I would state confidently that none of it is to do with the performance of CHIEF or CDS. These are new procedures that hauliers and traders have to get to grips with and, as I said, we have seen some evidence of lorries turning up unready for the new procedures, so I wouldn't say that the controls are nothing to do with it, but we don't think that they are a main contributory cause to the queues that we have seen.

Sir Geoffrey Clifton-Brown: Thank you. That is very helpful.

Chair: Thank you, Sir Geoffrey. Over to James Wild MP.

Q4 **James Wild:** Good afternoon. Following the storms that we have had in recent days, farmers have been out there with their tractors and other agricultural vehicles, helping to remove trees and other obstacles on the road. Concerns have been raised by some in the farming community that after the red diesel changes coming in on 1 April, they will not be able to provide that support without first draining their tank and adding white diesel. Can you reassure them that in fact they will still be able to provide that support and will continue to be able to help people?

Jim Harra: That is not something I have got the ability to be sure I can give you a correct answer on now, so I will take it away. But it certainly is the case that in the past we have made exceptions, just using our own discretion, where it has been necessary, for example, for tractors to come out of fields to help to clear roads or to tow away a vehicle, so that's something I will look at and come back to you on.

Q5 **James Wild:** That would be helpful, because the gov.uk advice refers to clearing snow and assisting the clear-up following flooding but does not refer to storms specifically. I don't know whether there is the ability to clarify that within the guidance.

Jim Harra: I will happily look at that and come back to you.

Chair: Thank you, Mr Wild. We now return to the queues at Dover with Mr Nick Smith MP.

Q6 **Nick Smith:** Thank you, Chair. Mr Harra, Rod McKenzie, the executive director of policy and public affairs at the Road Haulage Association, says that there is not "total chaos" at the busy port of Dover; however, he does report regular four-hour delays there—and he would know. What is your



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assessment of whether hauliers are regularly facing four-hour delays at Dover? Is that a fair statement?

Jim Harra: As I said, I believe that the traffic control project was put in place several times during January, and that does mean that there have been delays experienced by lorry drivers. What happens there is that they are held through a series of traffic lights so that they do not block the town and traffic can continue flowing through the town. They are held until there is space in the port for them to move to, so there undoubtedly have been days where there have been queues there.

The question is what is causing that, or what can be done to alleviate it. Our intelligence from speaking to the ports and the carriers and hauliers is that there are a variety of factors coming together, but a key one, which I believe the port of Dover acknowledged, is the reduction in ferry capacity due to refitting last month. We have daily calls with the carriers and with the ports to do everything we can to help them.

Q7 **Nick Smith:** That is reassuring to a point, but according to the newspaper, there are long queues of lorries visible from satellites, which to me says that there is an ongoing problem. Can you write to us with your assessment of how your Department is going to ensure that these queues are relieved? Four hours seems too long, and queues being visible on satellites surely isn't right.

Jim Harra: My Department is not the one with primary responsibility for managing traffic, but I can certainly put on the record in writing, if you like, our assessment of how we think our controls are or are not contributing to that.

Q8 **Nick Smith:** I can understand why it would be a Department for Transport responsibility, perhaps, and that your Department would have a view on it, but surely your response should be integrated and the problem should be dealt with. Somehow, you have to do better than this.

Jim Harra: I agree that the response does have to be integrated, and we do deal very closely with the Kent Resilience Forum as well as the Department for Transport. The controls that I apply are the customs controls. What we need to look at is whether there is anything that we can do in those controls to help to relieve the situation. Our intelligence tells us that they are not a primary reason for what people have seen, but there is no doubt that the number of times that the TAP has been invoked over the last month is higher than normal for that time of year.

Chair: I am just checking when we next have the permanent secretary at the Department for Transport in front of us. It is quite soon.

Q9 **Nick Smith:** The concern at this end of the table is that summer ain't so far away, and many people might be affected by this. The whole of that part of Kent could be in gridlock. We are concerned that things are going to get worse rather than better. I am looking to you, Mr Harra, because you are a regular at this Committee, to give us some reassurance that this is in hand. At the moment, it is not good enough.



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Jim Harra: Certainly I can give you the assurance that, together with the Department for Transport and the Kent Resilience Forum, we keep in close touch. We do have contingency measures that we can implement if we need to. We have not actually needed to invoke those since 1 January. It is something that we will definitely keep a very close eye on. As I say, we continue to work with the trade to improve their implementation of the customs measures and make those as slick as we possibly can.

Q10 **Nick Smith:** By way of your response to let us know what your Department is up to, can you give us a response over the next three months, please, so that we can see if things are improving over that period and we can have comfort that you are on it?

Jim Harra: I will look at what information I can provide you, certainly, over the next three months.

Q11 **Chair:** We have Bernadette Kelly, the permanent secretary at the Department for Transport, coming in front of us in 10 days' time. As you might have picked up from our last report, we are also worried about the entry and exit checks that the EU will be implementing on passport holders. That, added to any other issues with freight, could mean quite big difficulties, so we can pick this up at that meeting and perhaps work behind the scenes on who reports to us on what metrics, and what metrics there are, so that we can keep a tab on the queues. It may not be directly down to Mr Harra's Department, he may be glad to know, but I am sure he will have an input into that. Let us take that away and work that one through.

We now want to move on to IR35. This, of course, was implemented by public bodies. One of the staggering stand-outs of the Report is that the 2020-21 financial statements of Government Departments show that the public sector and its agencies has paid or owes a total of £263 million because it has not administered these reforms correctly. Why are Government Departments not doing this, given that they should surely be at the frontline of getting this right?

Jim Harra: I will pick this up first and then I will bring in Nicole, who is responsible for managing compliance and will give us more information.

These reforms were introduced in 2017. They required all bodies in the public sector to determine the status of workers who were working for them via an intermediary, and give a status determination to the right person in the supply chain to apply pay-as-you-earn. We have had a programme of checking that they have been complying with that. As the accounts of a number of bodies illustrate, we have found cases where they have not done so, and therefore they have to correct that and will owe us money under pay-as-you-earn for failing to operate it correctly.

Q12 **Chair:** Ms Newbury, these are Government Departments. You are a Government Department. How could they get it so badly wrong? What has gone wrong?

Nicole Newbury: I will start by talking a bit about the approach that we took to determining whether the Government Departments and the wider public sector had applied the rules appropriately. We started with an initial

risk assessment of 16 public sector bodies, ranging from Government Departments through to the NHS, fire, and higher and further education authorities. Of those initial 16 that we reviewed, we concluded that 11 had been compliant and had implemented them correctly—quite a high level of compliance initially. For the ones that we thought demonstrated high risk, we did a more detailed review. Of the more detailed reviews that we undertook, it is fair to say that central Government Departments seemed to struggle with the rules more than other public sector organisations.

Having undertaken quite detailed work with a number of Government Departments now, one of the most common errors that we saw was that central, key personnel in those Departments did not understand the contractual framework that they were operating in—how they were engaging their contractor and labour market force. Because the key personnel who were making the status determinations did not understand the contractual framework, they were determining whether they had a right to a substitute or not.

When a contractor does some work for an engager, if they have the right to substitute, and it is an unfettered right, you are more likely to be self-employed. However, under the contractual framework that the Departments that we were investigating operate, the contractor does not have an unfettered right to substitute.

Q13 Chair: But that is quite a basic thing. I mean, I have done the CEST test when I have employed babysitters; that's the very simple end of it. The point is that some of that is quite clear. The Department for Work and Pensions was short by £87.9 million, which in pre-covid times was a lot of money. I am not being flippant; it is a lot of money. They are a Government Department. Did you provide any masterclasses for them about how to do this beforehand?

Nicole Newbury: Yes, we did.

Chair: You did? And they didn't listen—okay.

Nicole Newbury: Absolutely we did. I will talk a bit about the support that we provided in the run-up to and before the 2017 implementation, and afterwards. We found that key personnel did not understand. The larger Government Departments employ quite a few contractors, and extrapolating that over a number of years leads to the large numbers that you see declared in the accounts.

However, although the legislative changes came in in April 2017, the discussion of the reforms started back in 2015, when the Government launched a discussion document. From that, in the Budget in March 2016 the Government announced the intention to reform for the public sector, so during 2016 and 2017 we worked really intensively with the public sector to ensure that they were ready to implement the reforms effectively. That took a number of forms most appropriate to the public sector, including ministerial engagement. For example, the Chief Secretary to the Treasury wrote around to permanent secretaries.



Q14 Chair: Okay, so normal Whitehall procedures took place—the letters to colleagues and so on—yet they did not comply. This has been rolled out more widely since. Does it worry you that big Departments, with all the resources they have at their fingertips—including hotlines and you, Ms Newbury, and Mr Harra—still got it wrong? Does that tell you anything about the lessons to be learned about IR35?

Nicole Newbury: I think it is fair to say, having seen that in the public sector, that we have learned lessons. We had a much longer run-in to the private sector reforms in April 2021. As part of that, we really made the most of the extra time that we had to bring all the stakeholders across HMRC together to run it as a programme. We did 100,000 letters, emails or digital touch points with affected customers, we ran multiple webinars with stakeholders and we had the comprehensive guidance and the Check Employment Status for Tax tool. We have done, I think, a really comprehensive programme of education and support. It is really early days in the private sector to know whether similar errors have been made.

Q15 Chair: You have learned lessons from that. We have also picked up the issue, which we will touch on in more detail later, about how it is the employer that pays the tax back if you find they have not complied. Therefore, the contractor can claim the tax back because they cannot be double-taxed. In terms of this £263 million, do you know whether the public sector is, in effect, subsidising some of the private contractors? Do you have a correlatory figure of how many people have claimed the tax back?

Nicole Newbury: No, we do not have a correlatory figure. The way that it works is that if a public sector organisation has not complied with the reforms, we operate the legislation to collect the full amount of the tax and national insurance due from the public sector. We do not have any legislative capacity to set off the amount paid by the personal service company or the contractor, so we collect the full amount from the public sector body. What then happens is that the individual contractor and their personal service company can make a claim for repayment. Whether the public body can make a claim from the contractor for reimbursement of that is a contractual matter between those parties.

Q16 Chair: My point is that the public sector—the taxpayer—is paying £263 million to you, which goes to the Exchequer one way or another, but nevertheless it goes around the loop. Then, you have private contractors that can claim that tax back, so basically they are having their tax paid by the taxpayer.

Jim Harra: First of all, a key lesson in implementing the measures is that the larger the public body, the more difficult they find it, because of the complexity of the organisation. Therefore, it is critical that a large body appoints the correct person, who is best placed to get this right, to comply and that they have the knowledge of what actually goes on in their organisation. What happened here was not a lack of expertise about the tax rules, but a lack of knowledge about their own contractual arrangements in their own Department.



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Chair: Which is extraordinary.

Jim Harra: The other thing is, obviously, the way it should work is that they get the determinations right and the deduction flows from the contractor. It is only where they do not get it right that we end up in this situation, as you say, where they have to rely on their ability through their contracts to go back and get reimbursement from the contractors. That is a matter for them—we have no knowledge about the extent to which they are or are not doing that.

Chair: I am looking to the Comptroller and Auditor General to tell us whether that would appear in the accounts if they managed to recoup the money from a contractor.

Gareth Davies: It will reduce the net cost to the public body in that case, but from the work we did on the Report that you are discussing, that is another area where it is not well understood in public bodies that that is the process they need to go through. We certainly have not seen that consistently implemented.

Q17 **Chair:** So there is a big risk that the taxpayer could be funding the tax of private contractors.

Jim Harra: I am afraid that is the case. From our point of view, it is very important that there is an incentive on the engager to get these determinations right. The fact that they can end up liable for the tax if they do not take reasonable care is a key incentive in the regime to encourage them to get this right. We have certainly seen evidence since they have had to make the provisions in the accounts that it is something they are striving to do.

Q18 **Chair:** Which could also lead to blanket approaches. I will leave that point to Ms Olney. Ms Newbury, you mentioned that you took a sample of 16, including bodies outside local government, but your compliance seems to have focused mostly on central Government Departments. Why is that? Do you have an understanding of the lack of compliance in smaller bits of the public sector?

Nicole Newbury: I think it is fair to say that our compliance is focused on Government Departments. The National Audit Office Report sets out that we have undertaken 59 full compliance checks or more detailed compliance checks across the public sector. They have been a mixture of Government Departments, local authorities, NHS, police, fire—a whole range of things. What we have found is that we have been able to close a higher proportion as being compliant in other sectors than in Government Departments, but we have done a balanced portfolio of work addressing this.

Q19 **Chair:** Is that because, as Mr Harra says, they are smaller, so it is just a bit less complicated to understand the contracting arrangements, or are there any other trends you are picking up?

Nicole Newbury: I don't think it is just size that makes it complex. What we are seeing is that perhaps the key personnel making decisions are closer to the hiring parts of the organisation, so they understand the contractual framework, the level of control and, importantly, the amount of financial



risk that the contractor was exposed to, which is another misunderstanding we are seeing in some of the larger Government Departments.

Q20 **Chair:** Did you expect to see this level of non-compliance, and the costs and challenges to public authorities? Was that in your planning?

Nicole Newbury: It was not in our planning. We knew that we had to undertake a risk-based programme of compliance activity. We had hoped that we had made the best use of the time in the run-up to the reform to really focus on engaging across the public sector. For our large Government Departments, we have a customer compliance manager model, so one-on-one dedicated support and work. We had hoped that all the work that we had done would have stopped that, but unfortunately it did not.

Chair: A message to Government Departments to read the memo from HMRC and act upon it. I am not here to be your advocate, but those figures are pretty staggering. I will move now to Sarah Olney MP.

Q21 **Sarah Olney:** I just want to start by talking a bit about the broadcasting sector. This is something that comes up for me, as a constituency MP, on quite regular occasions. For example, just last week Adrian Chiles won the first-tier tribunal against HMRC. It seems to me, looking at the reporting of the case, that this is something that has come up on a number of different occasions with other broadcasters, and it is usually quite high profile because these are household names, so tax gets into the headlines, and this is why.

It seems to me that the same issues are coming up over and over again with people in the broadcast sector. I know because I have spoken to them—I have got a couple of household names in my constituency—that they are deemed to have been contracted as employees to certain organisations, and yet they are providing services through their personal service companies, and obviously there will be long-term contracts, daily radio shows, or whatever. Given that this has come up a number of times, what more are you doing to work with the broadcasting sector to clarify the rules around how their tax affairs should be administered?

Jim Harra: I will start by saying that you are right; there are a number of high-profile media cases where we are in dispute about whether employment status has been established or not. Some of those are going through litigation. Most of those are historical, in the sense that they relate to several years ago and they do not necessarily relate to the hiring and contractual practices that broadcasters have in place today. I know the Committee has looked into that in the past.

What we have done is to work with the industry to develop guidance. We have general guidance that applies to establishing status right across any sector, but then we have sectoral guidance for this sector in particular, and we have worked closely with the broadcasters over time to develop that and increase their understanding of it. With employment status, the vast majority of cases are very straightforward to determine—or, if there is a bit of complexity in determining it, that gets resolved by agreement and there is no dispute—but there will always be edge cases where people have a right



to dispute it, or where the law is felt to be unclear and needs to be clarified. It is the case that in broadcasting, that is where a significant number of the high-profile cases have emerged.

Q22 Sarah Olney: Is there not a route to an appeal process that does not involve—what really strikes me is that, as I say, there are high-profile people who have deep pockets and can fund an action, but there are thousands of people in the broadcasting sector who may have a case but, because there is no right of appeal and they do not have the funds to take it to a tribunal, they do not have the opportunity to get the law clarified; they simply have to do what they are told, even if they do not necessarily agree with it. Why is there not an appeal process that everybody can use?

Jim Harra: The cases that we are familiar with, that have been in the press and going through the courts, all generally relate to the period prior to the more recent reforms coming in, so they relate to the time when workers and their personal service companies were themselves responsible for determining status. What has happened, obviously, since 2017 in the public sector and 2021 in the private and voluntary sectors is that it is now the engagers who are responsible for that, so the burden of determining status has moved from the worker and their personal service company to the engagers, and of course those engagers have a right of appeal against HMRC. If we determine that they have got it wrong, they can challenge that through the tribunals.

As for the worker themselves, they are, broadly speaking, in the same place as any person who is engaged directly by an employer. If they think the employer has wrongly determined that they are working like an employee, they can raise a dispute with the engager and ask the engager to review that decision. That is something that was done informally, if you like, for the 2017 reforms but has since been put into statute for the 2021 reforms and so there is now a statutory dispute process that workers have got the right to raise. Ultimately, if the engager says, “No, you are employed,” and they continue to disagree, they do have the right to self-assess to HMRC what they believe to be the correct tax treatment. Then it will be a matter for us to determine whether we accept that.

Q23 Sarah Olney: You mentioned that a couple of high-profile cases are going through at the moment. Am I right in thinking that Atholl House is still at the Court of Appeal?

Jim Harra: Yes, the Court of Appeal has heard it and we are waiting for the judgment.

Q24 Sarah Olney: If the judgment were to go against HMRC, what impact would that have? What wider impact would that have?

Jim Harra: Pete is the expert on it.

Pete Downing: The Atholl House case is at the Court of Appeal. There are several issues there; in large part, it concerns what is referred to as the “in business on own account test”. The employment status test is a multifactorial test, so there are a number of tests that you need to go



through. Then, at the end, it is broadly a question of whether the overall arrangement supports a conclusion that this is a contract of employment. That was the point that probably took up most of the time at the Court of Appeal—two weeks ago, I think.

If we were to lose that case—I do think it has some wider implications in terms of, especially, those who are portfolio earners. You have mentioned the media sector, where plenty of presenters have a number of side engagements as well as, sometimes, a main earning engagement. In other industries as well, there are portfolio earning careers. Those are the cases where we would have to reassess and consider, first, whether our guidance and various guidance products are correct, but also consider our approach in current compliance action and litigation around those. So there are definitely potential impacts from the Court of Appeal, but we await the judgment at the moment.

Q25 Sarah Olney: With interest, I am sure.

I just want to ask very quickly about a different sector. I am also getting a lot of constituents who are contractors in the IT sector. They are very concerned about the private sector implementation and feel that they are actually missing out on contracts because the engagers, as you say, do not want to have to go through the process of assessing them for IR35 and are actually engaging abroad, where the rules do not apply. What sort of wider assessment are you doing of the impact that IR35 in the private sector is having on employment levels, of the impact on engagement?

Jim Harra: We have already carried out two rounds of research into the 2017 reforms—the short-term and long-term effects of that—and we are similarly committed to carrying out research into the reforms in the private sector, which came in just under a year ago. That research is under way, but it is too early at this stage to have concluded. Our view is that overall the reforms are unlikely to have had that kind of material effect on the availability of a flexible labour market, but obviously we will want to carry on reviewing that to understand it in depth.

Q26 Sarah Olney: Thank you. Just to return to the Report, when you were estimating the administrative burden on public sector organisations of implementing the IR35 reforms, why did you use the minimum effort to comply as the benchmark and not what organisations would do in practice?

Jim Harra: We have an established methodology for calculating the compliance costs for any policy measure that is long standing, and that is the methodology that we used in this case. So we calculate what we believe to be the costs that they are required to incur in order to comply. That does not mean that we are not interested in monitoring what people are actually spending, but the methodology is based on what people are required to spend in order to comply.

We revised our assessment in 2020 following a recommendation from the House of Lords and we have adjusted our costings on that. So I think we increased our estimate of the one-off cost of complying, but we have included that on an ongoing basis there's a net reduction in the



administrative burden. Obviously, although there is a new burden on the engagers of having to comply with the rules, the burden is removed from the personal service companies and their workers, and overall that gives a small marginal net reduction in the compliance costs year on year.

Q27 Sarah Olney: What are you doing to make sure that hiring organisations understand? I know you talked earlier a little bit about that in answer to the Chair's questions, but what are you doing to understand the ongoing costs of implementing IR35 in the public sector?

Jim Harra: We keep that under review. In terms of formal assessments, we tend to make an assessment of the administrative costs for the purpose of the tax information and impact note that we publish at the time of a proposal for a new policy, and that informs Parliament and helps it to make its decisions on that proposal. We do not formally re-assess those periodically, but obviously in the case of IR35 we continue to carry out research particularly into the 2021 reforms, and as part of that we will keep tabs on the actual experience of engagers and whether we can adjust our guidance, our tools or our approach to help to minimise costs.

Q28 Sarah Olney: When you announced the policy you gave public bodies two months to prepare. Do you think that was long enough?

Jim Harra: As Nicole mentioned, there had been a long run-up to that. You are right that it was only a couple of months before the measures went live that we published the final guidance and released the final CEST tool, but in advance of that we had been having one-on-one conversations with large bodies and issuing a lot of communications and guidance for people. Of course, public sector bodies should have been familiar with the concepts because they make employment status decisions all the time. Since 2012 they have also been obliged by the Cabinet Office to check the tax compliance of senior off-payroll appointees. So there was a balance to be achieved between giving public bodies as much time as we possibly could to get ready with the fact that year on year the Exchequer was losing money from non-compliance. That was the balance that Ministers at the time decided to strike.

Q29 Sarah Olney: Could more have been done either in those two months or in the run-up to prepare public bodies better for what was coming?

Jim Harra: Beyond giving people extra time, which is something that some public bodies definitely would have liked—as you say, the timings were pretty tight—we had an extensive range of engagement with them in the run-up to it.

Q30 Sarah Olney: Do you think it would have been better if they had had a trial year?

Jim Harra: I am trying to think what a trial year would have looked like. I am sure that some public bodies would say that they wished they had had more time, and there is no doubt that not as much time was given to public bodies as, for example, to private sector bodies. That was done in knowledge of the fact that these times were tight, but there was money



being lost and these bodies should have been able to step up and meet these obligations in the time available.

- Q31 **Sarah Olney:** But on reflection of how much money is being lost to failure to implement it properly, as explored at the top of the session, to what extent do you think that is a reflection of how little time public bodies had to implement?

Jim Harra: Nicole might have more insight into this than me. The reality is that it has required compliance checks by HMRC to flush this out. I guess my instincts are that if we had allowed a while longer, it would just have taken longer for our compliance checks to flush out the problems with compliance.

Nicole Newbury: If I can add to that, as well as what I mentioned earlier about the work that we did in the run-up to April 2017, we also worked with key stakeholders that are there to support public sector organisations. The Tax Centre of Excellence, for example, supports some central Government Departments in complying with their tax obligations. We worked closely with them, particularly on the framework around understanding substitution, so that was there and available during spring 2017. What we have seen since in preparing for private sector implementation is that working closely with stakeholders, jointly running webinars, and making sure we are working very practical examples through, has been really helpful. We learned the lessons. We made absolute best use of the time we had in the run-up to the 2017 reform, but we have learned the lessons and recognise that public sector bodies would have liked more time. We have learned the lessons from that and have taken all that on board in implementing the 2021 reform.

- Q32 **Sarah Olney:** What specifically have you done differently in the 2021 reform?

Nicole Newbury: A number of things. We brought all the stakeholders together, as I said before, across HMRC: policy, IT delivery, customer support and compliance teams have all worked together in a programmatised way for 2021. We have used a multi-channel approach to communication. So where with the public sector we used the channels that we knew would work for the public sector, for the private sector, because of the much greater scale and scope of the reform, we have used multiple channels.

As I said before, we have done 100,000 either letters or digital touches with many of our customers. However, what proved really popular were the things that we have done around almost 1,000 calls with some of our largest customers to make sure they have some one-on-one dedicated support to prepare them for the changes. We have run joint events with stakeholders from the IR35 forum and workshops and webinars. Extra time enabled us to do more of that, but what we have been seeing is a really good level of engagement with the guidance and helpline. For example, between March and April 2021, we had more than 150,000 visits to the guidance. Although we made the best use of time in 2017, we have learned lessons and had a



much more programmatised and wide-ranging approach to the 2021 reform, because of the bigger scope and scale of that.

- Q33 **Sarah Olney:** To what extent do you think that some of the issues that public bodies had were where they had long-serving contractors, they then had to have quite difficult conversations about continuing the contract or not? To what extent do you think your approach recognised the specific issues involved for engagers?

Nicole Newbury: I do not think we saw evidence of that informing the decisions by the key personnel who were making the status determinations. We did not see that informing that. What we saw, as I explained earlier, was the key personnel not understanding the contractual framework. I do not think that having more time or understanding the difficult conversations would have changed that fundamental misunderstanding of the contractual framework.

- Q34 **Sarah Olney:** How are you responding to stakeholder feedback that they would like more support implementing the reforms?

Nicole Newbury: As well as all the things that I have talked about before, we have been consistently updating our guidance and the Check Employment Status for Tax tool. We have been working closely with a range of stakeholders from across payroll bodies, agencies and tax professional representative bodies to really make sure that the guidance takes account of recent case law developments and responds to feedback that we have seen.

You mentioned the media sector; following an earlier Public Accounts Committee hearing, we published a range of sector-specific guidance for them. For example, over March 2020 we published guidance on behind-the-scenes workers, followed by actors and performers guidance. Then, in June last year, we had specific guidance for TV and radio presenters. We are open to feedback and act on that to improve the guidance and support we provide for sectors but also across the broader population of contractors and those engaging contractors.

- Q35 **Chair:** Thank you very much. One of the policy aims was to make the tax system fairer. What is your assessment about whether that aim has been achieved?

Jim Harra: Most definitely, the 2017 reforms—and, our early data suggests, the 2021 reforms—have achieved their objective of improving compliance with the off-payroll working rules, which was dogged for over 20 years by very high levels of non-compliance. That legislation was originally put in place, as you say, to achieve fairness, so everyone working like an employee paid the same tax and national insurance, regardless of what structures they put in place, and prevented the avoidance of employment taxes through the interposition of an intermediary company.

It is as a result of the 2017 and 2021 reforms that we are now seeing what was a theoretical fairness become an actual fairness. There is plenty of



evidence that we are collecting much more of the tax that was due and was not previously being paid.

Q36 Chair: According to the NAO Report, you had initially assessed that an additional £550 million worth of income tax and national insurance was going to be collected in the first year. But when you offset that against taxes that would have been paid through the off-payroll approach, that drops to a net increase in tax of £250 million. That is higher than you expected, but are you seeing any trends about whether that figure stays constant? Is it too early to do that? I suppose in the public sector you had a few years.

Jim Harra: Pete might be able to come in with what we are seeing most recently, but as you say in the first year of the public sector reforms, the net increase in yield was about £250 million—higher than we had forecast. In the second year, it was higher again, at £275 million. From my point of view, that demonstrates that the measure is having an impact and we are seeing much more of the tax recovered than we expected.

Q37 Chair: Before we go to Mr Downing, you say you are sure it is down to IR35 changes and compliance, but how can you prove to us that it is down to that and not to other factors that might be involved? Since that time, we have had a rough time for people who are working off payroll, so you can see there might be an incentive now for people to go on payroll. Were there other incentives for people to go on payroll other than the IR35 rules? Can you track it right back to that change?

Jim Harra: I believe we can. If you look at the 2017 measures in particular, what we saw afterwards was about 50,000 people going on to payroll who had previously been working through personal service companies and who were now paying more tax as a result of the change in the way they were being engaged. That followed after the 2017 reforms. That is where that £250 million net increase in tax revenues comes from. There is a clear—

Q38 Chair: A clear line through from your point of view. One of the other things if you are off payroll is that you might have a slightly different tax period because of the way you are paid, the periods of time you are working and so on. The way you arrange your tax is different, mainly because over a two or three-year period, you are paying a tax that is not calculated in a year as it would be if you were on payroll. How are you looking at those different timeframes for tax payments and assessing whether it is making an impact?

Pete Downing: The two years out-turn that we have published is £250 million in 2017-18 and £275 million in 2018-19. The reason those two years are the only ones that have been published so far is that there is a lag in some of the offsetting adjustments that we get through off payroll.

If someone was non-compliant with the IR35 rules prior to those reforms, they would have paid corporation tax and self-assessment tax somewhat in arrears of the timing of normal pay-as-you-earn payments of tax. The reason we have only got those two years published at the moment is those lagging offsetting adjustments that we need to take account of.



As you get further and further from the reform date, it becomes more difficult for us to track accurately what the precise additional yield is. We are currently looking at whether we can generate a reliable figure for the '19-'20 year. If I come forward to the 2021 reforms, we have not published a figure yet. We are not in a position to do so because of those issues around offsetting adjustments.

We are tracking those personal service companies that we did expect to come into the scope of the reform to start paying employment taxes where they had not done before. As we track them, we find that the individuals working through those personal service companies are indeed paying more tax than they were pre-2021, but it will be some time before we can give an out-turn figure on that.

- Q39 **Chair:** When we looked at personal service companies, particularly in broadcasting, which was the area that we focused on, for lots of reasons there were a lot of single-person personal service companies that this Committee has looked at over a decade. Can you give us an idea of the scale? We are talking about large and medium-sized companies here. You are not at the moment looking at any individual personal service companies servicing individuals. They are not in scope, just to be absolutely clear.

Pete Downing: The large and medium—

Chair: It is the companies that use them. How many of the single-person personal service companies or very small ones are in scope where it might be a person and their spouse or partner?

Pete Downing: The one-worker personal service company is the target case. That is what most personal service companies are. There is a single worker who works through the company itself and provides their labour that way. Those are the typical examples where IR35 should have applied, and the new off-payroll rules will apply.

The estimates that we made before we introduced the private sector reforms were that 180,000 personal service companies and their workers would end up paying more tax as a result of the reforms. Then there is another 60,000 that we estimated would have to consider the reforms—their engagers would have to consider the reforms and rules and would conclude that those particular workers were outside. So, 240,000 affected and 180,000 paying extra tax.

- Q40 **Chair:** Okay. We know that there have been examples of companies issuing blanket bans and saying, "We are not going to employ you on this basis." In fact, paragraph 3.7 on page 34 of the NAO Report highlights that "nearly half of contractors who responded to one survey said that the last firm they worked for initially reacted to the reforms by implementing a ban on using" personal service companies, and "21%" in "another survey said their current firm made a blanket assessment that all engagements were employed for tax purposes" only. From your point of view, so long as you get the money in, does it matter? How much do you care about whether people are being miscategorised?



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Jim Harra: It certainly does matter to us. There are two distinct issues there from our point of view, one of which is non-compliant behaviour that we are definitely interested in and one of which is not. It is for engagers to decide what method of contracting they want to use and whether they want to contract with personal service companies, directly engage people, or engage people via umbrella companies.

It is not non-compliant to change your model. We have seen from the research that we did with the public sector reforms in 2017 that in fact there is still quite a bit of contracting with personal service companies, so we have not seen that kind of blanket ban that was talked about.

Q41 **Chair:** That is interesting, because I take issue with that. Your research is interesting, but you do not know whether a lot of people have dropped out and other personal service companies have dropped in. There could still be a lot of churn that has a bigger impact on individuals.

Jim Harra: Yes, and I was going to go on to say that nevertheless there is definitely behaviour where there are more people coming on to direct engagement on the payroll or going into umbrella companies. The reforms may well have indirectly caused that change in behaviour, but that is not something we are overly concerned about, provided that the ability to have a flexible labour market continues. On the other hand, blanket determinations of employment status are not in accordance with the legislation. Engagers must make decisions case by case.

Q42 **Chair:** How do you prove that?

Jim Harra: First of all, if we see evidence in our compliance checks that they are making blanket determinations, that would be non-compliant, and they run the risk that they will be penalised or owe us tax. In addition, the workers have a statutory right to dispute a determination that the engager makes, if they think it is incorrect.

Q43 **Chair:** But if you are an individual working for a personal service company—you are working for quite a large organisation and you need to dispute it—you might not want to rock the boat, in case they decide to dispense with your services because it is judged a hassle to have the argument. Do you have any evidence of that happening?

Jim Harra: There is also the opportunity for the worker to come to us. We have had about 500 contacts from workers who believe that they have not been correctly treated and who have invited us to take that up.

Q44 **Chair:** What are you doing with those 500, and how many have proved to have been right?

Nicole Newbury: We haven't followed that through to conclusion yet, so we would probably have to come back at a later date and tell you what that follow-up work finds in due course.

Q45 **Chair:** Okay, but what is the process that you go through? If I come to you and say, "I think I have been wrongly categorised," what do you do? Do you immediately go to the company and ask for some information?



Nicole Newbury: We pick that up either through people coming to us and raising concerns, or by seeing the small number of people who come for a refund as part of the self-assessment process that Jim explained before. That then goes into our risking processes.

Where there is risk of non-compliance, we take a risk-based approach to the work that we are doing. We are at the early stages of looking at that now. A lot of the reports that we have had are small numbers and are more recent. It goes into our risking process, and we follow up with the engager afterwards, but I would have to come back with more detail.

Q46 **Chair:** That all sounds fine—everyone has their processes—but if you are the person who thinks that you are being hard done by, how long is this process likely to take? You could be paying different tax from what you think you should be paying.

Nicole Newbury: That depends on many factors, including how effectively the engager works with HMRC. If they engage with us effectively, we can work that through quite quickly.

Q47 **Chair:** Quickly—months, weeks?

Nicole Newbury: We can work through it in a few months.

Q48 **Chair:** The accountants in the room are laughing at the idea that it might take weeks.

Nicole Newbury: There's an indicative timetable in the National Audit Office's report, actually. If everyone co-operates and there are no challenges, it will take a few months. If it is complex and there are multiple reports, it can take years.

Jim Harra: Just a couple of things to pick up. First of all, we have some experience, with the 2017 reforms, of looking into what public sector bodies did. I think we may have found one case, but it is about 1%—it is really small—where we think there is evidence of blanket determinations.

The other bit of evidence that we have is the use of the CEST tool for workers working through an intermediary. That has now been used 1.26 million times¹, which is an indication that engagers are using it case by case. Obviously, you would not necessarily see that volume of usage if there were lots of blanket determinations being done. But we do get feedback that, nevertheless, workers feel that that is what is happening to them. We are alive to it as a risk, and that is not how we want this legislation to be implemented.

Q49 **Chair:** Around 20% of CEST cases do not throw up an answer, so who do they go to? Do they come to you as the operator?

Nicole Newbury: There is a specific IR35 helpline. It is a difficult balance with our Check Employment Status for Tax tool. It is already 37 questions long.



Q50 **Chair:** We recognise that. It is a question of what happens to the one in five.

Nicole Newbury: For the one in five cases that get an undetermined outcome, there is a specific IR35 helpline and supported webchat for people to access more detailed technical support, should they need it.

Q51 **Chair:** Let's go back to the issue of broadcasters, which this Committee has had an interest in for over a decade. In fact, you were let off the hook, because we had a big session planned on this just before the 2017 general election. The election happened, so we could not have the hearing.

Whether people were employed only for tax purposes has gone back and forwards, a bit like a yo-yo. It has been very confusing for that sector and others. In the big tech sector, lots of IT workers work in small groups for short periods of time on a contract and then move on. How equipped do you think HMRC is to understand the emerging or changing sectors that are changing rapidly? A broadcaster 30 years ago would have been one-dimensional, but now they have to do vlogs, blogs and podcasts. They are multidimensional, so they have a whole different arena. It is the same in IT—there have been a lot of changes there. Do you think you can keep up with the modern world of work?

Nicole Newbury: My assessment is that people try very hard to keep up. We work closely with the IR35 forum, which is a group of stakeholders—the payroll organisations, the tax professional rep bodies and a whole range of different stakeholders with an interest in this. They bring areas to us that they see developing. We work collectively with them to develop our approach to meet the changing nature of the labour market.

On media cases, for example, we are making progress. We have had about 200 cases and almost half of those are now settled, so we are working through it. As I said, we have published updated guidance on the media sector over the past couple of years. We work with the IR35 forum to identify sectors or areas that need our attention and support in future years.

That is definitely part of our forecast and planned compliance programme. We published that in February 2021, ahead of the 2021 reform, saying that we wanted to work with our stakeholders on high-risk sectors to make sure that we can support them and work with them to be compliant as they develop.

Q52 **Chair:** You sort of glossed over the issue of the route that people have to go through to work out whether it is right. For the individual, they have to pay their costs to go through the process to tribunal, and then they have to decide, if they lose, whether they appeal, which would have many more costs.

For individuals, Ms Olney highlighted how in her constituency it is the big names or people with telephone or six-figure salaries, but Kate Green, a member of this Committee, represents a lot of people who work in Salford, in MediaCity, and are much lower-paid technicians, although they have worked on that freelance basis, working across different bits of the media industry. They do not have the money to pay fees to take you to court. Is



that a fair deal for them? It is very hard to take on the might of HMRC, isn't it?

Jim Harra: These people are in the same position as all taxpayers. The vast majority of disputes with taxpayers are settled by agreement. One facility that workers have here is that they have access to the CEST tool in the same way as their engagers: they can enter the facts into the tool, see what answer it gives them and, if it gives them an answer that says they are not within the IR35 rules and they can show that to HMRC, we would take action. There is no way that we would say, "You have to go to tribunal to get that changed", because they can self-assess and in those circumstances we would not—

Q53 **Chair:** How much do you read across? If someone uses the CEST tool—say they are working on the technical side of broadcasting, for argument's sake, across different suppliers—and they come up as valid self-employed or through a personal service company, would you then look at that, apply it and send out guidance to others? It is hard to reach some of those people. You have trade unions or employers you can go through, but how would you do that? How do you go about learning that lesson and applying it across the piece?

Jim Harra: These determinations have to be made case by case, so the fact that one worker is found to be outside the rules does not mean that all workers are. It is different if there is something that means that, for example, a piece of case law states that our understanding of employment status has changed—that could affect quite a lot of people.

The CEST tool is there for anyone to use. There are 37 questions, but they are factual questions. You do not have to have expert knowledge of tax; you just need to understand how you work and what your contract says. So far, in 50% of off-payroll cases where the tool has been used, the determination has been that this engagement is outside IR35. That is what it is.

Q54 **Chair:** This is very grinding for both sides, going through on a case-by-case basis for quite small sums of money. Is there a better way? Do you think that CEST could be improved?

Jim Harra: Picking up two points, first of all, before the 2017 and the 2021 reforms, this had to be done case by case. That was the work of the personal service company, which had the burden of doing that. We feel that the reforms placed the burden on engagers that are more equipped to deal with it, and more equipped to get it right. That is why we are seeing the results that we are seeing.

On the performance of the CEST tool, we are constantly reviewing it. We did make changes to it, for example, in 2019, following feedback after the 2017 reforms. We continue to look at that. First of all, the underlying logic in the tool is open source. It is available online for people to use. Indeed, we suspect that some of the other tools on the market use that code. In addition, we have published in detail the testing that has been done on the



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tool, both by our own officials and by external experts, to determine that it is giving the right answers against case law.

Yes, we will continue to work to improve it. However, as Nicole said, to make it give more comprehensive determinations beyond the 80% that it is currently achieving would probably involve making it more complex for everyone to use, so there is a trade-off that has to be struck. We have to make it a tool that can be used by the non-expert in the vast majority of cases.

Chair: I have to say that I found it easy to use, but for my very simple situation, so I think it just gets a lot more complex. I will just bring in Sir Geoffrey Clifton-Brown on the cost of compliance and some of the other technical issues.

Q55 Sir Geoffrey Clifton-Brown: Mr Harra, I have one or two issues I would like to raise. Could I direct you to figure 3 on page 19? Anyone who has anything to do with IR35 will know that table backwards. What it does do is to contrast very starkly the employee's NIC positions between the self-employed and the employed. When I was looking into this subject, it struck me that if we could narrow the arbitrage of the NICs a little bit closer, some of the incentive for people to try to avoid IR35 would be reduced. The ICAEW, for example, says that, "The fundamental difficulties underlying the taxation of work remain. The off-payroll problem will only be permanently resolved if the advantages of tax and NIC arbitrage caused by the cost of employer NIC are removed." Is there any long-term thinking that you should more align the two sections of employed and self-employed workers, or is that simply impossible because of the numbers of employed people?

Jim Harra: From a tax administrative point of view, there is no doubt that the differential tax liabilities between the employed and self-employed and, absent IR35, between incorporated and unincorporated create big incentives in the tax system and create boundaries that we then have to police the compliance of. Our lives would be a lot simpler and more straightforward if there was equal taxation right across those three areas.

However, there are policy reasons why that is not the case. They are categories that cut across lots of different sectors. Companies can range from very small to very large. Ultimately, those are matters for Ministers and for Parliament. Where there are these boundaries in the tax system, we do have to have measures that try to make them work correctly. That is what the 2017 and 2021 reforms aim to do.

Q56 Sir Geoffrey Clifton-Brown: Thank you. I appreciate that was a bit of a theoretical question to do with policy, but it was interesting to have your reply.

Can I then take you to paragraph 4.13 on page 42? This is the business of HMRC automatically applying the tax-free personal allowance. They assume that most people who have had this compliance imposed upon them will have used their income elsewhere. I want to ask you whether that is a realistic assumption—that most ordinary people have actually used their



personal allowance up elsewhere. Is this a fair assumption? We know they can claim it back, but that is a problem for the ordinary person who is not used to it and probably has not claimed anything back in their life. Is it a fair assumption?

Jim Harra: When we are making a global settlement with a large organisation in relation to its non-compliance with the off-payroll working rules, I am afraid we do have to make some assumptions. We can't go through each case and track down what happened individually.

Nicole Newbury: In an ideal world, the engaging organisation that we are investigating would have full names, addresses, national insurance numbers, to allow us to track that through. Unfortunately, in the work that we have been doing, Departments haven't had that information and so we haven't been able to track that through. That means that we have to use our best judgment and our best judgment is that quite often contractors work for a number of organisations and therefore we apply the OT code to calculate the liability from the engaging organisation, but in every case where we are able to trace the individual we will apply the correct tax to it.

Q57 **Sir Geoffrey Clifton-Brown:** Do you make it clear on your assessment of that individual that you have applied the OT tax code and that you have assumed that they don't have any personal allowance left, but that if they do, they would be entitled to reclaim it?

Nicole Newbury: Our work is with the engaging organisation, not the individual. When we are working with the engaging organisation—the Government Department or public sector body—we will make it absolutely clear to them the best judgments we are using as the basis for calculating the amount we consider due. If the public sector body has the information, we will then write out to the contractors to say that they might be due a refund. However, as I said before, the information has not been there to enable us to do that.

Q58 **Sir Geoffrey Clifton-Brown:** I accept that, but for the organisation—particularly the larger ones that are carrying a lot of claims—there is no incentive to make sure that that individual knows what a OT code is or whether you have used the personal allowance or not. The individual probably does not have a clue, and some people would not know how to go about reclaiming it. Is there any way you can at least advise clients—or make sure that companies advise them—that this is the way their tax has been treated?

Nicole Newbury: At the moment, no. We ask the organisations we work with to let their contractors know, but there is no way that we can force that. It is one of the things we have been working with the IR35 forum on—understanding how we can practically make that happen in future—but it is not something we have been able to do so far.

Jim Harra: It is worth clarifying that it is not the individual worker who is being disadvantaged by this assumption. We use the assumption to calculate how much tax the engager owes us. For example, there was the £263 million that we talked about in relation to public bodies. If the



deduction is passed from engager to contractor, they know what has been deducted, and they obviously have the ability to claim back any of the payment from us. In practice, it has not really passed to the contractors; it has stuck, as far as we can tell, with the engagers.

- Q59 **Sir Geoffrey Clifton-Brown:** My final question is to do with compliance cost—not just the Inland Revenue compliance cost and public sector compliance cost, but also the individual companies' compliance cost. Given that this tax raises relatively little money—£250 million a year in the scheme of things—and that the incentive of all taxes is that compliance costs should be proportionate, do you have any figures on those various different compliance costs?

Jim Harra: Yes, we do. I believe that the revised cost that we came up with in 2020 is roughly £19 million for the whole of the private sector—and I hope people will correct me if that is wrong. We expect that the year-on-year ongoing costs will be reduced as a result of the reform, because, while there is a cost on the private sector bodies, the cost on the PSCs—the personal service companies—is removed. There is actually a net saving in customer compliance costs year on year.

Pete Downing: Yes, and we did look at this in terms of the research we undertook after the public sector reforms came in. We did two lots of research. It was based on survey activity with public sector bodies. We asked them what the out-turn cost was, and we found that a minority of larger public authorities still faced sizeable costs in the long term, which was a mean figure of £6,000 for a site. To explain the terminology, a site was a public sector organisation that only dealt with contractors on one particular location. Then there was £24,000 for central bodies. That would be public sector bodies that are dealing with compliance across more than one site. We have looked at that and made the estimate as we introduced the reform.

- Q60 **Sir Geoffrey Clifton-Brown:** So you have taken those figures for one local authority and aggregated them up for the whole of the local authority sector? Is that what you are telling us?

Pete Downing: I don't have a total figure across the entire local authority sector. We have a mean figure for central bodies. That would be any public sector body that is dealing with compliance across more than one site with a £24,000 cost.

- Q61 **Sir Geoffrey Clifton-Brown:** Rather than just debating this across the piece, Mr Harra, would it be possible for you to write to the Committee with the categories that I asked for—HMRC's compliance costs, public sector compliance costs and the companies' compliance costs? It would be interesting to have an aggregate figure to compare that against the cost you are actually gaining from the tax itself.

Jim Harra: Yes, of course we can.

- Q62 **Sir Geoffrey Clifton-Brown:** That is very helpful. I have one final question that goes back to my earlier question about companies. How could private companies have income details when someone has worked for their



competitors?

Jim Harra: Income details of the worker—

Sir Geoffrey Clifton-Brown: The contracted person, or the client, as I call them.

Pete Downing: I am divining where the question might be coming from, and I think it is from a little bit of criticism that we have had around the tribunal's outcome on the Chiles case, which has been through recently. There is a question there: if the correct determination of status is based on both the income from a particular contract, and all of your other income, how on earth is an engager supposed to know that? That would not be our view on the correct application of the employment status test. Indeed, we have already mentioned the Atholl House case that was at the Court of Appeal. An issue in that case was how you deal with those outside-of-the-contract factual patterns, and how they affect status. Our view is that status comes from the particular contract that you are engaged with, and what that tells you about the whole picture of the person and the engagement. Those extraneous secondary factors are either irrelevant or of so small a weight that they would not make the difference. It might come down to a difference between us and the first-tier tribunal in some recent cases.

Q63 **Sir Geoffrey Clifton-Brown:** This is up to you, presumably, and perhaps you do not want to tell us, but will that case go to appeal?

Pete Downing: The Atholl House case was at the Court of Appeal two weeks ago.

Sir Geoffrey Clifton-Brown: The Chiles case.

Pete Downing: I cannot talk about specific cases.

Sir Geoffrey Clifton-Brown: Sorry, that was an unfair question—I understand that.

Q64 **Chair:** What is the appetite for HMRC to appeal on cases on this issue?

Jim Harra: We have definitely done so. The point at issue in the Adrian Chiles case—Basic Broadcasting is the name of the case—is actually very similar to the one for Atholl House. It goes to the heart of Sir Geoffrey's issue of whether you are looking solely at that particular engagement, or whether you are looking at the pattern of someone's activity beyond what the engager knows. We do appeal where we think that the tribunal has got a matter of law wrong, and in particular if we feel that it leaves a lack of clarity for people. We do not appeal if it is on the facts, basically. If a tribunal has determined that the facts are not quite as HMRC understood them, then that is generally the end of the matter.

Q65 **Sir Geoffrey Clifton-Brown:** That was a very candid answer. Thank you very much. I will stick with you, Mr Downing. If only 10% of the PSCs were complying, is it realistic to think that they incurred more costs than the companies are now picking up?



Pete Downing: Coming back to our overall forecast on the administrative burden that comes from these reforms, there was an increase in burden for the engagers and a substantial decrease in the burden for individual PSCs that were previously undertaking status determinations under IR35.

Jim Harra: That is a theoretical cost. It is based on the assumption that if we made PSCs comply with their obligations under the pre-reform methods, that is what the costs would have been. I acknowledge that in the real world 90% of them were not incurring those costs.

Chair: Mr Harra hits the real world.

Jim Harra: It happens from time to time.

Q66 **Sir Geoffrey Clifton-Brown:** We have got there in the end. This is to either of you: if you do not know what their income is, how do you know what tax rate companies should apply? This is back to the conversation on the personal allowance. If you do not know whether I, Geoffrey Clifton-Brown, am a basic rate taxpayer, a 40% taxpayer or a 45% taxpayer, how does the company know what rate of tax to apply?

Pete Downing: I think we come back to Nicole's point: we make reasonable assumptions around the workforce and what the tax liability might be. That is not always a one-to-one exercise of identifying a list of 100 names and their exact tax liability, but making some reasonable assumptions around that.

Nicole Newbury: That is not a new thing. Even with a bog-standard employee-employer relationship you could have a number of different employments, and so you are working with your employer's payroll team, informing them of different employments that you have, so that they operate a different tax code on our real-time information system. That is not a new challenge, and employers, particularly medium and large ones, should be well familiar with adapting for different scenarios of multiple different sources of income.

Chair: Ticking the box.

Q67 **Sir Geoffrey Clifton-Brown:** It is still slightly hit and miss. If I am an office clerk somewhere for a few hours a week, for various different companies, but actually I spend another few hours a week as a physical scientist, earning a huge amount on one job and virtually nothing on the other job, unless they ask the question about what my tax rate is, how do they apply the correct rate? The Report says, and you say, that you do not have the national insurance numbers for a lot of them, so you cannot begin to know what the proper tax rate is.

Jim Harra: First of all, the way the rules work means that the engager makes the determination about whether the nature of this is an employment, and then passes that determination down the labour chain to the person who is actually making the payment to the worker. For example, that could be an umbrella company—a deemed employer in the chain. It is not the top engager that has to know that information; it is the deemed



employer who is making the payment to the personal service company or to the other intermediary that the worker uses. It is the same rules that apply in pay-as-you-earn generally, where people have multiple sources. In pay-as-you-earn generally, in about 85% of cases the tax that is deducted during the year turns out to be correct, but in about 15% of cases it turns out to be incorrect. We have the end-of-year reconciliation exercise for everyone, and if they have overpaid, we repay them, and if they have underpaid, we adjust their pay-as-you-earn for the following year to recover that sum.

Q68 **Chair:** I think it is probably increasingly more complex as people have multiple jobs, and what is a main employment and what a secondary one becomes—

Jim Harra: Certainly, working patterns get more complicated no doubt, but year on year pay-as-you-earn has roughly stayed at about 85% of cases being right in-year, and in about 15% cases we have to make an adjustment after reconciliation.

Q69 **Sir Geoffrey Clifton-Brown:** Can I just ask you, Mr Harra, a question that occurred me when I was reading this Report? Do you think covid will bring about more self-employment? If so, are you going to have a bigger task getting to grips with all of this?

Jim Harra: I don't think we know that covid will have that effect. Obviously, you can see that the employment market has really picked back up, and as a result of the furlough scheme lots of people who might well have been made redundant and might well then have gone into self-employment to try to make a living have actually kept their jobs. It is not something that we have seen. I am not an expert on what covid will do longer term to the economy.

Chair: If you were, you wouldn't be sitting here.

Sir Geoffrey Clifton-Brown: That was a fair answer. Thank you.

Chair: We need to move on to Craig Mackinlay, who is itching to contribute.

Q70 **²Craig Mackinlay:** To start off with where it all started from, IR35 has been in place since April 2000. It is a quite long in the tooth tax practice. Why did you opt to deal with this through the public sector and private sector? Why didn't you go to the source, and use your powers to investigate all those PSCs, which everybody knew, especially if the House of Lords report is to be believed and which it highlighted, were not operating as they should for very many years? Why didn't you attack those PSCs openly, as you are capable of doing, to frighten the market into doing the right thing? Often that is enough to make behavioural change happen.

Jim Harra: Going back to about 2011, when the Public Accounts Committee looked into it, we undertook to increase our coverage of personal service companies, and to have another go at making the old way work. The reality is that we found it impractical to do that. There are about 600,000 PSCs. As

² [Letter from Jim Harra explaining further](#)



the Chair said, they change over time. And of course, even if you look into a PSC and arrive at a determination, the next time the worker changes contract, you're right back to square one, because it is each engagement that has to be determined, not each personal service company. So, the reality is that without an army of tax inspectors investigating workers all the time, that was not a practical way of doing it. That is why, certainly from an administrative point of view, we feel that moving the responsibility elsewhere in the labour chain is more effective.

Q71 Craig Mackinlay: Well, I will contrast what you say there with what we do with landlords. There are a lot of landlords out there. We don't make the agencies or the tenants deduct at source. So, I don't know why you did a different thing with IR35-style PSCs—a thing that you don't do with landlords. You have powers to look at landlords and whatever else you want to do with them, and you do so. This is a similar volume, I would have thought, but here you have done a completely different thing.

Jim Harra: It's a very good suggestion, Mr Mackinlay. *[Laughter.]*

Craig Mackinlay: I don't want to give you any ideas, but you do something very different with them.

Chair: Mr Mackinlay wants a job with the Treasury, I think.

Craig Mackinlay: No, I don't!

Jim Harra: If you look at the tax administration strategy that the Government published in July 2020, you will see that one of the strategic questions for tax administration is: how do we leverage intermediation in the tax system to best effect? Obviously, the intermediaries we are all very familiar with are employers, who have had a long-standing obligation to deduct tax. In relation to the lettings market, we do actually get quite a bit of information from letting agents. And we have had a number of compliance campaigns, because we are concerned about levels of non-compliance in that sector. But strategically, understanding how we make best use of intermediaries is part of the future of tax administration.

Q72 Craig Mackinlay: The public sector experience goes back to 2017, so we have quite a lot to draw on; we're still in early days with the private sector experience. Do you think that the PSC-type businesses have demanded to up their rates with the public sector because of these things and so it has actually cost a lot of public sector organisations more money to do the same thing? Have you any evidence of that thus far?

Jim Harra: I think we will have to see what happens over time. It is going to be, I suspect, quite difficult to disassociate the different—

Q73 Craig Mackinlay: Because a worry in relation to the public sector is about the whole circulatory nature of tax—out of one hand and into another.

Jim Harra: The two pieces of research that we have done on the public sector have not identified that trend. Most public sector engagers said that they did not have to change the rates that they paid contractors as a result of the measure. But that was obviously, at that stage, reform in just one



sector, so we will have to look at that. But the research that we have currently done didn't show any evidence of that.

Q74 Craig Mackinlay: So it's the contractor who has just had to suffer, effectively, the employer's NI deduction—

Jim Harra: Obviously, it's the engager who has to operate pay-as-you-earn and they pass that on to the worker, but economic incidence is a different matter and the market will drive that. I suspect that for different types of contractors, the answer will be different, because it depends on their economic power, really, with their engagers and the scarcity of the workers. We will try, I think, to track this, but given everything else that is going on in the economy, I think it will be very difficult to isolate this effect alongside all the other things that are driving—

Q75 Chair: Can I just ask something and cut across Mr Mackinlay? In your research—thank you for sending it to us—in the section about impacts of the reforms on contractor recruitment and rates, every time you come up with a figure, you say, "but the majority disagreed." But some of the minorities that were having problems with recruitment and rates are quite significant. For example, a fifth of sites and a third of central bodies reported that it had been more difficult to fill contractor vacancies since April 2017. Similar proportions of sites, 21%, and central bodies, 25%, agreed that it was harder to recruit contractors with the right skills since the reform, but, you say, the majority disagreed. There are lots of examples like that, so have you drilled down below this level to see whether there are particular issues in particular sectors? One in five is still quite a lot of people who can't recruit, for whatever reason. Is there a particular impact in any particular sector that you found through your research?

Jim Harra: I do not believe so, and I do not believe that we have that level of—

Nicole Newbury: No. This long-term research was only published a couple of months ago, I think, and so it is still quite early days. When we work with the public bodies themselves they tell us that they are not able to say whether the difficulty that those smaller numbers have experienced in accessing labour is directly caused by the off-payroll working. And that is because of other economic changes over time and the fact that at the time they were competing with contractors who may be working for the private sector—who, of course, were not subject to this regime until April '21, so we might well see a levelling out after the April '21 changes. But as Jim has said, given all the other economic turbulence at the moment, we think it will be quite difficult to understand and really tease that out.

Chair: Thank you for being honest, because I think it will be difficult to understand, but it is very frustrating for those employers and employees or contractors.

Q76 Craig Mackinlay: Others have asked about the gold plating of these rules by various big bodies. When you are the little contractor and you are faced with a big private sector or public sector star—well, it would be private sector now—the HR departments of those bodies say, "Can't be bothered



with all this. We just are going to apply you as IR35. We're not going to get into any risk. We want zero risk in our entity." Do you feel that that has happened? I think there are reports. I refer you to paragraph 3.7—we have touched on it. I have heard of it happening professionally, particularly with engagers with NHS trusts in the first round. There has been a blanket, "That's what we do".

Jim Harra: We touched on this earlier. First of all, any engager that makes such blanket determinations and brings people within the rule who don't need to be within it are incurring a cost to themselves, because employers' NICs then become due. So, there is a disincentive for them to do that, quite apart from the fact that it is non-compliant behaviour.

You are right. We hear feedback as well from workers who claim that it is happening. When we look at the evidence, first of all from the research into the public sector, we didn't actually find it. And when we look at some early signs like the volume of usage of the CEST tool, that does not reflect lots of blanket determinations; it reflects lots of case-by-case decisions being made. Nevertheless, there is that feedback and it is something we are alive to.

Q77 Craig Mackinlay: It will be interesting to see, as this beds in, the volume of public sector versus private sector, because—dare I say it—"it is the other person's money"—it might make it a little easier to do in the public sector than the private sector. But I won't expand on that.

I note that page 39 has the number of compliance assessments you have had and ongoing compliance reviews. The one that worries me more than anything else is local authorities. You have 15 in total over four years; I don't know the number of local authorities, but there are a lot of them—a number of hundreds. Would I be unfair in saying that you have a lighter-touch approach with the public sector than you do with the private?

Nicole Newbury: That is certainly within my area. I say absolutely not. We think it is very important to take a proportionate and risk-based approach whatever the sector, across the public sector and the private sector. Within my team, we have a specialist employment status and intermediaries team that cover both the public sector and the private sector, working with our public bodies group teams but also with our mid-size business and large business teams, and we take the same processes and the same risk-based approach whatever the sector we are dealing with.

We think it's really important that we enforce the rules, whether that is in the public sector or the private sector. Public bodies are funded to be tax-compliant and if we were not to enforce it, they would not be funded as the Treasury and Ministers have intended, so we take it seriously and we apply the same proportionate and risk-based approach whatever the sector.

Jim Harra: I would say that our initial approach here has been a real test and learn. What we didn't want to do was to go in and do hundreds and hundreds of investigations to try to get more tax. What we are doing here is trying to test what actually happened in the sector and look at different



types of bodies, in order to refine our approach and make sure that it is proportionate and hits the risks.

- Q78 Craig Mackinlay:** Okay. Let's move on a little bit to where we are now, with the private sector. You're now effectively running two systems: you have medium-sized businesses and upwards within the scope of this, and smaller businesses are not. Medium-sized businesses and upwards are those with a £36 million turnover, an £18 million balance sheet and 250-plus employees—the Companies Act 2006 measurements. They must have any two of three—sounds a bit like a Meat Loaf song, I know. The smaller companies that are employing PSC-type businesses will be under the old rules, as it were, of IR35 post-April 2000. Are you doing any work on those? Currently they are not in scope. Or is it your intention to have all employing businesses within the scope of this over time?

Jim Harra: The Government have no plans for any further reforms here, although obviously we keep it under review. The political decision was taken to expect only medium and large-sized organisations to take on this burden, and, for smaller engagers, to leave the burden with the personal service companies, where it is unlikely that small businesses would have been better placed, for example, to get this right. Hopefully, for us, it means there is now a cadre of personal service companies that still have the obligation that is small enough for us to police, in a way that just wasn't practical for us when we had a quarter of a million of them to look at. But I think it is something we'll keep under review.

- Q79 ³Craig Mackinlay:** Have you scoped how many are now caught by medium-sized company and public, and outside of that? Do you have any idea of the numbers that are still under the old rules, as it were?

Pete Downing: I don't think we have those numbers.

Jim Harra: Roughly speaking, we think there are about 600,000 PSCs. Our impact assessment for the reforms that have been introduced suggests that about 240,000 of them come within the scope of the 2017 and 2021 reforms.

- Q80 Craig Mackinlay:** Okay. I will just move on a little bit to some perversities in the tax system. We have already found out—I think one figure we can put on Mr Downing—that in '16-17 the potential loss was £440 million. I think we're not quite sure what it might be today, or what you're actually gaining from this. In terms of what you often come to the Committee with—losing £1 billion here, £4 billion in furlough claims there—it is pretty small beer, in the scheme of things.

I often wonder that we don't do the tax game of chess. I have heard of a number of people who are now going into employment. Their old PSC status just doesn't work any more—it is not worth keeping the company going, paying the accountant and all of those good things—so they are going to become employed. They are left with a company from which they may not have taken out all of the income over time, by way of dividends,

³ [Letter from Jim Harra explaining further](#)



or the golden figure up to the secondary threshold for NIC. They are then able to do what was an old extra-statutory concession C16—an informal dissolution—so you can have the capital basis; or even, if it's a certain size, you might go up the winding-up route. They are now getting it out at 10% through entrepreneurs relief. Was that a perversity that you intended? I am just worrying that you would have got dividend rates and all of that ongoing, but you're now getting a slug, in lots of these companies, of only 10%, because of entrepreneurs relief.

Jim Harra: Pete probably has better intelligence than I do, but actually my understanding is that that is a behaviour that we saw in any event with PSCs that had built up quite a bit of money: people would turn them over into a new company and would liquidate the old one in order to take advantage of all the tax breaks that were there. If it is the case that we now see a one-off liquidation of those companies because workers find that they're better off either directly engaged or on umbrella company payrolls, that is what will happen. But it was happening anyway.

Q81 **Craig Mackinlay:** But you see the point I'm making: sometimes you don't see that the next step in what you're doing creates something else that loses tax, and you don't really recognise the loss, whereas overall it creates a load of aggravation for a lot of people. Let me tell you the costs. You did identify the costs, Mr Harra, of, I think, £19 million to start with, which might go down to £9 million. That is really the cost to those who are the employing businesses. I am not entirely sure that any work has been done—maybe Mr Downing has—as to the cost to, say, an ongoing mixed IR35 PSC, where it might have some IR35 accounted for at source by the big public sector and still some ongoing normal stuff, so you need a limited company ongoing. Have you thought about what that costs? I can tell you that, in the profession, if somebody comes in with that type of company, there will be a little bit of sucking of teeth and another £100 to £200 put on the bill before you even start. I wonder what the assessment is of the real cost of this whole system to the PSCs themselves. We have only looked at the employing company and not the recipient companies.

Pete Downing: When we modelled the costs, we modelled the reduction in compliance burden for the personal service companies and the workers that were employed through them. I am afraid I cannot answer the question of whether we—.

Q82 **Craig Mackinlay:** I think you made your assumptions based on all their income being under this, rather than a number of them that have mixed income.

Pete Downing: I could not tell you that for sure. I would have to go and find who did the modelling and ask them what assumptions were made.

One thing that is useful to know coming out of the 2021 reforms is that we only have 15,000 PSCs that are operating within scope of the reform. There has been a large number of people who have gone to other forms of arrangement, whether that is employed by an agency, employed directly by the client or, indeed, umbrella company arrangements. On a monthly basis, we only have around 15,000 PSCs that are within the off-payroll working



rules having tax deducted. Probably the larger behaviour here is coming out of personal service companies altogether. We probably need some more research to work out whether the problem you outlined there is a significant and large one. I am happy to go away and have a think about it.

Jim Harra: Just to clarify what that 15,000 figure is, what we are seeing is that, each month, engagers are determining that 15,000 PSCs are within the IR35 rule, but they are still contracting with a personal service company.

Q83 **Craig Mackinlay:** Can I conclude with some thoughts on the CEST tool? One of the reasons you gave us for why it all seems to be working well and why blanket bans by the public sector in particular are not happening is that you are getting great usage of the CEST indicator tool. Do you think that some people just keep trying it, maybe changing their contract slightly and trying the tool again to try to get the answer they want? Do you know if these are unique hits or regular hits from the same person? You have no way of knowing that, of course, have you?

Pete Downing: I suspect there is a degree of that behaviour in there, where people are iterating the facts that they have put into CEST to try to get the answer they want. We do not have statistics on it. One of the steps we took with CEST—a delivery decision that we made—was not to attribute back to the taxpayers or engagers that are using it. That was to forestall any sense that we were using it to track people, to encourage use of the tool.

Craig Mackinlay: Big Brother's watching.

Pete Downing: So no, we cannot attribute to unique uses.

Jim Harra: The big disincentive of gaming the tool is there is now a manageable number of large engagers and you have to put the facts into the tool. If you game it and put things in that are not the facts, unfortunately Nicole's people come along afterwards and say, "You have not taken reasonable care," and the liability sticks with you as the engager. That is the big incentive not to game the tool.

Q84 **Craig Mackinlay:** Finally, to Ms Newbury, we all want the CEST tool to be right first time. I hear that 20% are undetermined and there are a number of cases going through the system; as we heard from my colleague, Ms Olney, some quite high-profile ones. I suppose you do not do much until they go beyond the first-tier tribunal. They could become a little more determinant as they go up the judicial ladder. Do you use the private sector to assist? Mr Harra, you referred to how you get other experts looking at the way the tool works, and we have our 37 questions, which is quite a big job in itself. Do you use the private sector employee lawyer specialist to work with you? This is an abstract area; I am sure you will agree.

Jim Harra: Yes, we do. First of all, you are right that the CEST tool reflects our understanding of the case law in relation to employment status. We would adjust the tool as the case law develops. You are right that the first-tier tribunal is generally speaking not regarded as precedent setting, but obviously the upper tribunal, the Court of Appeal and beyond are. When we



get the decisions in the Court of Appeal cases that we are waiting for now, we will look at whether the CEST tool needs to be changed. We have published details of the extensive testing of the tool that we did, particularly when we made the changes in 2019, to demonstrate that it is applying case law correctly. That testing was carried out by a mixture of HMRC officials and external experts.

Q85 Craig Mackinlay: I will just conclude, if I may, by continuing on from what Sir Geoffrey was saying. At the heart of all this is to try to get employers' NICs. Do you agree with that statement?

Jim Harra: At the heart of this is to ensure that people who work like employees pay employment taxes, including employers' NICs, regardless of whether they use an intermediary or are engaged directly.

Q86 Craig Mackinlay: I think Sir Geoffrey was talking about the ICAEW report about how we can make self-employment routes of remuneration that we might use through a company rather more harmonised. A lot of that has been in progress and is happening. It will certainly be happening once we get to the 25% corporation tax rate in a couple of years' time. If we do those quite complicated spreadsheets, which, depending on what the level of income is, might say, "You're better off as self-employed" and so on, there are a multitude of routes; it is never going to be exactly the same. But I feel that there is a degree of harmonisation going on.

If employers' NIC was really at the heart of what you are trying to get—because if you are self-employed, you will be paying class 4, a bit of class 2 and all the rest of it—wouldn't a more elegant solution have been to just ask the contracting company, whether medium, large or the public sector, to pay up the employers' NIC and have done with any other differences?

Jim Harra: First, let me correct something I said earlier. Pete just pointed out to me that we do sometimes calibrate the CEST tool based on first-tier tribunal decisions.

There is more involved in this than employers' NICs. First of all, I will mention what has tended to happen on harmonisation. My experience has been that sometimes there are policy changes that close this gap and sometimes there are policy changes that widen it.

Q87 Craig Mackinlay: I think the last 10 years has been on a pathway to harmonisation.

Jim Harra: There have been some changes in recent years that definitely narrow the differential, but there is no Government plan to do that. It is something that we advise Ministers on when they are considering policy measures—whether they are going to widen or lessen this differential—because it affects how people behave. There is obviously more involved. If you look at the table in the NAO Report about differentials, there is more involved than just class 4 national insurance. Our aim is to try to get people who are working like employees to pay, broadly speaking, the same tax and national insurance—both class 1 and the employers' NICs.

Q88 Chair: Anything else to add, Mr Downing?



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Pete Downing: The assumption that the income tax finds its own path is not necessarily the correct one, because there are quite significant issues around the timing of taking dividends, as you pointed out earlier. That makes quite a significant difference to the Exchequer take and to the timing of the Exchequer take around income that comes through an outside off-payroll working personal service company. I do not think it is correct to say that if you just looked at the employer NICs, you would get to the same policy objectives as OPW does.

Craig Mackinlay: I get that. While the cost of capital is approaching zero, I do not always take that view on timing differences of tax, but thank you.

Chair: I thank our witnesses—Jim Harra, Nicole Newbury and Pete Downing from HMRC—very much indeed. We will be publishing the uncorrected transcript of this hearing on our website in the next couple of days, and our report will be out maybe by Easter, with a fair wind. We will continue to pursue this. As you know, we have been pursuing personal service companies since about the time that I joined the Committee—coincidentally, I have to say. It is not a particular personal issue, but I thank my predecessor for starting on this path. I thank you all very much for your time.