



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Rt Hon Mel Stride MP
Chair of the Treasury Committee
House of Commons
London
SW1A 0AA

10 November 2020

Dear Mel,

**OFF-PAYROLL WORKING FROM APRIL 2021: PAY AS YOU EARN (PAYE)
AMENDMENT (NO.3) REGULATIONS 2020 AND THE SOCIAL SECURITY
(INTERMEDIARIES) (MISCELLANEOUS AMENDMENTS) REGULATIONS 2020**

As you know, the off-payroll working reform is being introduced in order to improve fairness in the tax system by ensuring that individuals working like employees, but through a limited company or Personal Service Company (PSC), pay broadly the same income tax and National Insurance contributions (NICs) as individuals who are employed directly.

To address non-compliance, in April 2017 the Government reformed the way in which the rules operate in the public sector. The reform moved responsibility for determining whether the off-payroll working rules apply from the worker's limited company or PSC to the public bodies engaging them.

At Budget 2018 the Government announced its intention to extend the off-payroll working reform to medium and large organisations in all other sectors, and stated that it would not apply the extension to engagements with the 1.5 million smallest businesses. Since then, the Government has announced that the reform will take effect from 6 April 2021.

The reason for writing now is to let you know that the regulations that accompany the primary legislation, which received Royal Assent in July this year

as part of Finance Act 2020, were laid under the negative resolution procedure on 26 October and 6 November 2020.

The regulations also include amendments to the PAYE regulations (and their NICs equivalent), which will allow HMRC to recover unpaid PAYE (and NICs) debts from the client receiving the worker's services, or the first agency in a labour supply chain, where the off-payroll working rules apply to an engagement and there is no realistic prospect of recovering the outstanding debt from the deemed employer within a reasonable period. Both sets of regulations are required to ensure that the off-payroll working reform works in practice and can be fully implemented from 6 April 2021. The regulations apply the changes to NICs, as well as income tax, and provide certainty for taxpayers on when HMRC may seek to recover unpaid PAYE and NICs debts from third parties in the supply chain.

As you will be aware, the Government has consulted extensively on the off-payroll working reform over a number of years. On 7 January 2020, the Government announced a review of the implementation of the reform to identify any further steps the Government could take to ensure the smooth and successful implementation of the reform. A draft version of these regulations was also published for consultation on 22 January 2020.

As a result of the review and consultation on the draft regulations a number of changes have been made, including: delaying the implementation date to support businesses and individuals affected by the impacts of COVID-19; excluding wholly overseas clients from needing to consider whether the off-payroll working rules apply; requiring clients to confirm their size at the request of the worker or agency the client contracts with; limiting the time by which representations about incorrect status determinations can be made; ensuring the rules only apply to work carried out from the 6 April 2021; reducing the time period in which a recovery notice can be issued by HMRC from 24 months to 12 months; including the details of the deemed employees within the recovery notice so that the agency or client receiving the recovery notice can know the

worker to whom the debt relates; as well as other minor technical changes, including simplifying language where possible.

I am copying this to other members of the Treasury Select Committee.

As ever,

A handwritten signature in black ink, appearing to read 'Jesse' in a cursive, stylized script.

RT HON JESSE NORMAN MP