

Ian Hill – Written evidence (OPR0008)

1. Has the recent extension of the off-payroll working rules to the private sector made it more difficult for engagers to hire people with the right skills and expertise? To what extent has its introduction contributed to job vacancies?

Evidence:

Job boards are littered with IT Contractor vacancies and the role has been determined Inside IR35 by the agency and the Engager.

However, the Inside IR35 day rate does not reflect a like for like day rate to the contractor compared to what the Contractor got paid previously when the role was Outside IR35 (pre-2019).

For an IT contractor to transfer Inside IR35, the Inside IR35 day rate needs to increase by at least 30% to make it a like for like comparison!

The Swiss off-payroll scheme, which the UK Government appear to of copied, operates with the contractor getting a high day rate (ie they operate at least 30% higher than day rate's outside IR35).

The UK Government have failed miserably to explain the above to both the UK Public sector and Private sector, that the Engager Project Capex costs need to increase by 30% to accommodate the move of all IT Contractors operating Inside the IR35 off-payroll scheme!

There are many examples on job boards post April 2021, where Public Sector agencies are advertising day rates Inside IR35 at the same day rates they were hiring contractor previously outside IR35.

This in effect is a decrease in the contractor's earnings by 30%

e.g the MOD and the Home office employed IT Contractors (Service Architects) outside IR35 on a day rate of £500 before the enforcement of the off-payroll.

After the off-payroll was enforced within the Public sector, the MOD & Home Office started to advertise IT contractor roles (Service Architect) at day rates of £500 Inside IR35.

This is a clear reduction in the IT Contractors earnings – the equivalent day rate if paid Outside IR35 would be approximately £350.

Does this promote IT Contracting and help Public sector and private sector organisations complete IT projects, when the IT contractor earns £500 per day pre Off-payroll and then post off-payroll, the IT contractor earns £350 (equivalent of being paid £500 inside IR35) – ie a 30% reduction in earnings!!

The Chancellor and the Treasury need to increase the Capex project budgets for all Government Agencies by 30% to accommodate the "Off-Payroll" IR35 introduction.

But they did not!!

The private Sector also need to increase their capex costs by 30% and pass on this increase to their customers (Government Agencies are the biggest chunk of Customer's for the private Sector)!!

2. For those engagers (and their advisers) who use the CEST (Check Employment for Tax Status) tool to assess employment status, how effective do you consider it to be? Do you have confidence in its results? If not, what further improvements need to be made to it?

How cares as long as the day rate inside IR35 is a like for like comparison to what the contractor got paid Outside IR35!

3. What changes have engagers had to make to apply the off-payroll rules to contractors, in terms of systems, personnel and training? By reference to your own experience, to what extent (if any) do you consider that compliance costs have increased because of the changes?
4. How well has HMRC supported engagers, contractors, and their advisers with the implementation of the new rules and is any further or different type of assistance needed?

The treasury needs to increase Public Sector funds by 30% to support the introduction of the new Off-payroll (inside IR35) scheme!

5. To what extent has the introduction of the new rules generated disputes between engagers and contractors concerning the status of contractors vis à vis the rules and how successfully or otherwise have these been resolved?
6. What behavioural effects have resulted from the introduction of the new rules in the private sector in terms of the arrangements adopted in hiring contractors?

IT Contractors are retiring or closing down their ltd company's and joining consultancy companies and or big organisations on a Salary and proper T&C's

IT Contractor Demand and Supply is in chaos – Inside IR35 day rates are too low.

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