

# **Andrea Allsopp – Written evidence (OPR0011)**

## **Introduction**

I have been a contractor since 2008 and prior to that between 1997-2004.

I think it important to understand why some contractors operate the way they do and why the new rules post such problems.

The committee should investigate loss of VAT revenue, since banks cannot discount their VAT paid to contractors from their VAT payment to the government, it provided a windfall for the banks at the government's expense.

## **Why do I Contract?**

- I am an IT Technical Author and Trainer: at some point in the 1990s companies closed their documentation and training teams, preferring instead to outsource the work.
- The pay rates for these skills stagnated for over a decade.
- Nursery fees were unaffordable on my salary.

## **What do I Offer as a Contractor as Opposed to a Full-time Employee?**

- The nature of my work is sporadic (new IT system delivery), it arrives in short intense bursts and then dies, making it better for companies to have workers they can hire and fire at will (an early form of zero hours contracts).
- I can travel anywhere, live away from home if necessary and work a "professional" day, which often means long hours to ensure deadlines are met.
- I bring huge experience from many industries and systems, something only achievable by looking at how systems are deployed in different companies and sometimes in different countries. More importantly, I offer solutions based on that experience.
- I am only paid for the work I do, if I am sick or take holiday it costs the client nothing, neither do they pay pension, offer facilities or other perks such as subsidised food.
- Contracting is right for work which is required only occasionally (I'm no different to a kitchen fitter) and where a client does not want to invest long term.

## **How IR35 Effects Clients**

- Under IR35 expenses are not claimable, this means the rates I charge for a go anywhere service would have to rise considerably to cover my costs. In reality it means turning away contracts in places that would cost too much in living and travel expenses (for example, I was unable to help a council in Cornwall).
- I no longer seek work in the public sector, since they have to offer rates inside IR35, these rates have not changed since the rules came in, making them unviable.
- Some clients are taking a one size fits all approach to IR35, so even if the requirement and my business model (usually contracts ranging from 1 – 6 months) fall outside of IR35 they will not offer an alternative arrangement. For some this is because they fear making an incorrect decision and end up breaking the IR35 rules.

- I now only seek out contracts outside of IR35 at lower rates and let agents know that is my preference.
- If IR35 becomes the norm on my current rate, I would stop contracting, and move to a different type of role, much less stressful and shorter hours. There are not many trainers working on the same systems as me, lowering the pool available.

## **Conclusion**

The perceived income from taxing current pay was optimistic, it did not look at the unintended consequences of bringing in IR35, something contractors might have easily explained.

There is no sense in working a short-term contract for the lower rates resulting from the IR35 rules, when it makes better sense to take fulltime work. A fulltime job which I could travel to daily from home, receive benefits, expenses for working in other offices and longer term security, would be a better option.

The idea that most Contractors were not paying sufficient tax was by and large unfounded.

Paying tax in advance on what appears to be a substantial income for a few months is unfair, when that money often has to be spread out to cover the periods where there is no work. I typically take my daily rate and multiply it over 40 weeks to get an idea of my annual income, not 52 weeks.

If you want a workforce that will go anywhere as needed, you should allow for a payment model for them to be able to afford to do so, which happened to be in place before IR35.

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