

HMRC – Written evidence (OPR0036)

The off-payroll working rules

As set out in the Government's response to the House of Lords Economic Affairs Finance Bill Sub-Committee's 2020 inquiry, the off-payroll working rules (commonly known as IR35) have been in place since 2000 and are designed to ensure that people working like employees but through their own companies (known as personal service companies or PSCs), pay broadly the same Income Tax and National Insurance Contributions (NICs) as people who are directly employed.

The Government believes that the reform to the administration of the off-payroll working rules implemented in 2017 for the public sector, and in 2021 for the private and voluntary sectors, is the right way to improve compliance with the rules. The changes do not introduce a new tax liability but improve fairness in the tax system and ensure a level playing field between people working through their own companies and those employed directly.

The 2017 reform - estimated impacts

HMRC published a [Tax Information and Impact Note \(TIIN\)](#) on 8 March 2017, which was certified by the Office for Budget Responsibility (OBR), setting out the estimated impact of the public sector reform. This estimated that around 30,000 personal service companies (PSCs) would be affected by the reform; and that the reform would bring in additional revenue of £890 million over the Budget scorecard period (2016/17 to 2021/22). It also estimated that there would be negligible impacts on administrative burdens.

While the reform does not prevent people from being able to work through their own company, HMRC recognised that a consequence of the reform might be for organisations and contractors to reconsider their working arrangements, and that some contractors might change the way they provide services. Overall, the OBR judged that the reform would not have any specific macro-economic impacts.

The 2017 reform – evaluation

Since the introduction of the 2017 reform HMRC has continued to evaluate its impacts, including by:

- carrying out external research into the short and long-term effects of the public sector reform; and,
- carrying out internal analysis on the tax impacts of the reform and potential changes to the way contractors work.

HMRC's evaluation so far shows that the effects of the 2017 reform have been broadly as expected. In particular:

- The evidence suggested the overall demand and supply of contractors following the 2017 reform remained broadly stable in the short and long term, with some evidence of contractors

changing the way they provide services, moving from working through a PSC to other structures, including working through umbrella companies¹.

- Evidence also suggests that most organisations did not see an increase in difficulty in filling vacancies, and that, while there were some costs in initially implementing the rules for public authorities, the majority in the Education sector find the ongoing operation of the rules reasonable and easy to apply².

Internal analysis shows that there were at least 50,000 people enrolled in PAYE schemes in the public sector in the two years after the reforms who were previously providing services through PSCs and where total taxes paid on their services had gone up, generating an additional £250 million revenue in 2017/18 and £275 million in 2018/19, which is higher than initially expected³.

The 2021 Reform

The Government consulted widely on extending the reform to the private and voluntary sectors, as well as carrying out a review in 2020 to understand stakeholder concerns and ensure the smooth implementation of the reform. The actions following this review were [published in February 2020](#).

As the committee will be aware, the Government decided to delay the introduction of the reform for medium and large sized organisations in the private and voluntary sectors from April 2020 to April 2021. This allowed organisations to deal with the effects of the pandemic and gave them more time to prepare for the changes.

HMRC used this time to continue to evaluate the effects of the 2017 reform and to support customers to prepare. Since April 2021 HMRC has continued to help customers to comply with the changes and has extended its evaluation to include the April 2021 reform in the private and voluntary sectors.

HMRC published a [TIIN](#) on 3 March 2021, which set out the estimated impacts of the reform. This estimated that the number of PSCs impacted would be approximately 180,000, and that up to 60,000 medium and large-sized client organisations outside the public sector will be impacted, as well as approximately 20,000 employment agencies. £3.8 billion of additional revenue is expected over the period 2020/21 to 2025/26.

¹ This is the combined findings from the external research published so far by the Government, supported by internal analysis. The research reports published are the [short-term effects of the 2017 reform](#), [long-term effects of the 2017 reform on the Education sector](#) and [effects of the off-payroll reforms on employment agencies](#).

² This is the combined findings from the external research published so far by the Government on and the [short-term effects of the 2017 reform](#) and the [long-term effects of the 2017 reform on the Education sector](#).

³ The rules were expected to generate £150m in 2017/18 and £155m in 2018/19 on a liabilities basis, which is consistent with HMRCs internal evaluation. Equivalent revenue figures published in the [TIIN](#) at Spring Budget 2017 were on a National Accounts Basis (£205m in 2017/18 and £120m in 2018/19).

The administrative burden was originally assessed as having a one-off impact of £14.4 million, with an ongoing negligible net impact. HMRC reviewed the estimates which included re-testing assumptions, refreshing figures, and consulting with stakeholders. The administrative burden assessment was revised to a one-off impact of £19.7 million with an ongoing net saving of £0.3 million, composed of a reduced ongoing administrative burden for PSCs and an increased ongoing administration burden for engagers. There is an increased one-off impact for both PSCs and engagers. Key drivers for the changes in estimates were assumptions on the use of tax agents by contractors (lower than originally estimated) and, for engagers, the time and cost of training internal staff and the time taken to check employment status (all higher than original estimates).

The Government has committed to evaluating the reform in the private and voluntary sectors and to commissioning external research into the short-term effects in these sectors six months after the reform is implemented. HMRC has commissioned this research and fieldwork has begun but it is not yet complete, making it too soon to evaluate the impact of the reform. HMRC intends to publish findings once the research has been completed.

Supporting organisations and individuals

HMRC has delivered a significant programme of education and support to help organisations and contractors understand and implement the April 2021 changes. This has included delivering 57 webinars, 30 workshops, sending over 100,000 letters, emails and messages through payroll software, holding 949 one-to-one calls with the largest businesses, issuing regular communications through our social media channels and our employer and agent bulletins, and publishing and sharing a range of additional guidance material such as factsheets and flow charts. This is in addition to HMRC working closely with external stakeholders to deliver joint events and communications, and ensure our education is based on customer needs and insights.

HMRC has continued to strengthen confidence in its Check Employment Status for Tax (CEST) tool, by proactively publishing usage data, making the entire decision-making engine open source, and adding in a new web-chat function. CEST is free and is designed to be easy to use for customers. It is the only tool in respect of which HMRC will always stand by the result produced, provided the information entered remains accurate and the tool is used in accordance with our guidance. In any compliance check, HMRC will not dispute an employment status determination that is in line with a correctly obtained CEST tool result.

An area of frequent criticism of the CEST tool is its treatment of mutuality of obligation. A contract of employment requires there to be an obligation on the individual to work in return for an obligation on the part of the employer to pay for the work. CEST is predicated on there being a contract to provide work for pay, but CEST was criticised because some said this did not reflect the law and that the mutuality of obligation test was something more than this. Earlier this year, the Court of Appeal unanimously agreed with HMRC's long-standing view on the interpretation of case law surrounding mutuality of obligation⁴.

HMRC has published details on how it will support affected organisations to comply with the changes to the off-payroll working rules⁵, and has committed not to use information resulting from the changes to the rules to open new compliance checks into PSCs for tax years prior to April 2021, unless there is a reason to suspect fraud or other deliberate criminal behaviour.

Written evidence on the inquiry into the reform of the Off-Payroll Working rules

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?

It is too soon to have evaluated the impact of the April 2021 reform in the private and voluntary sectors. A key part of HMRC's evaluation is external research, which has been commissioned to understand the short-term effects of the reform and fieldwork has begun, but is not yet complete. The Government intends to publish findings in 2022. This research will include impacts on labour market changes and recruitment.

While not necessarily representative of the private sector reform, the Government has published research into the short and long-term effects of the 2017 public sector reform⁶, which provides insight into the impacts of the off-payroll reforms on the ability of engagers to hire people. The research reports published are the [short-term effects of the 2017 reform](#), [long-term effects of the 2017 reform on the Education sector](#) and [effects of the off-payroll reforms on employment agencies](#).

Evidence from the research published shows that most organisations did not see an increase in difficulties in filling vacancies following the 2017 off-payroll reform, although a sizeable minority did see a change in their ability to fill vacancies in the short term:

- The report on the short-term effects of the 2017 reform on all public authorities found the majority of respondents did not see a change in their ability to fill vacancies in the short-term, but a sizeable minority of central bodies⁷ (32%) and sites³ (22%) did find it more difficult to fill vacancies. A minority group of 24% of central bodies and 19% of sites also found it harder to recruit contractors with the right skills or experience.
- However, the report on the long-term effects of the 2017 reform on the

⁴ [Revenue and Customs V Professional Game Match Officials Ltd \[2021\] EWCA Civ 1370 \(17 September 2021\) \(bailii.org\)](#) See, in particular, paragraph 118 ii and iii of Lady Justice Elisabeth Laing's judgement. It has frequently been asserted to HMRC that CEST's treatment of mutuality of obligation is wrong, based on taking the opposite view on these two points. This is now binding precedent of the Court of Appeal.

⁵ [Guidance on how HMRC is supporting organisations to comply with the changes to the off-payroll rules](#)

⁶ A Central body in the research is an organisation that carries out the administration for the off-payroll working rules for a number of sites.

⁷ A site in the research is an organisation that carries out the administration of the off-payroll working rules for one location or organisation only

Education sector, found that only 7% of organisations who engaged contractors before and after the reform found it more difficult to fill vacancies, and only 12% found it harder to recruit contractors with the right skills or experience.

Initial evidence on the overall demand and supply of contractors following the 2017 reform is set out in question 6 below, and suggests that the overall demand and supply of contractors has remained broadly stable in the short and long-term following the reforms.

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?

The Check Employment Status for Tax (CEST) tool, which was introduced in 2017, is a free service and is designed to be easy to use for customers when determining employment status for tax. CEST is unique in the market because HMRC has always stood behind the determination produced, provided the information inputted is accurate and the tool is used in accordance with HMRC guidance. If this is the case, HMRC will not dispute an employment status determination if a compliance check is undertaken. Discussions with stakeholders indicate that they particularly value this commitment. Research published on the short and long-term effects of the 2017 reform in the public sector found that between 78% and 91% of organisations who used CEST found it helpful.

The use of CEST is not mandatory and customers are able to use other tools, or none, if they prefer. HMRC has published usage data for the enhanced tool⁸, provided details of the enhancements on GOV.UK and made the entire decision-making publicly available - in the interests of transparency and to boost confidence in the tool.

CEST asks the user questions relating to employment status factors and a user's response is considered by the tool's decision-making matrix, to present an outcome indicating whether the role is employed or self-employed for tax purposes. In some cases where the facts are finely balanced, CEST will produce an "unable to determine" outcome. In this circumstance, HMRC provides additional support to the user, including:

- detailed guidance and dedicated support, including CEST specific guidance and guidance to aide status decision making,
- a dedicated helpline that the customer is signposted to, to support users, in finding the appropriate guidance and can support the customer in making sure that the questions are being interpreted correctly,
- Detailed guidance published on CEST, which has been accessed over 219,000 times directly from the tool's homepage.

CEST was developed in conjunction with tax specialists, contractors and other stakeholders. It has been rigorously tested against established case law and settled cases to ensure it provides accurate results in line with current binding judgements. Recent binding judgements have supported HMRC's interpretation

⁸ [CEST usage stats](#) have been published publicly on GOV.UK

of the case law which CEST reflects. One frequent criticism of the tool was that it reflected an incorrect interpretation of the requirement for Mutuality of Obligation (MoO); however, at the recent hearing of Professional Game Match Officials Limited (PGMOL) at the Court of Appeal, the judges agreed with HMRC's long-standing view on the interpretation of case law surrounding MoO⁹.

In November 2019, HMRC enhanced CEST to support the implementation of the rules in the private sector. The enhanced tool was designed to include:

- clear descriptions for questions and links to HMRC guidance to help reduce user error and to provide an explanation to the determination provided,
- a section around "Business on Own Account" for a more thorough assessment of the engagement in question, and
- a downloadable PDF results document (which provides a summary of questions asked, answers given, and the resulting determination), that meets the conditions to be a valid Status Determination Statement (SDS).

HMRC regularly monitors questions and areas where users may have challenges and considers whether amendments can be made to support the user. For example, recently HMRC has introduced several usability improvements to support customers with completing the tool, including the introduction of a webchat service on specific questions (in March 2021), and improved links to guidance. Customer feedback has been positive since the launch of the webchat, with an average of 82% of customers satisfied or very satisfied with the service they received between April and October (the average of all HMRC webchats being 79.3%).

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?

Changes for Engagers

When developing the off-payroll working reform, HMRC undertook an assessment of the administrative burdens on businesses. This included the costs to businesses and contractors of familiarising themselves with the new rules and responsibilities, training of staff, setting up new processes and reviewing systems. The assessment also considered the ongoing costs to businesses including of making status determinations, producing Status Determination Statements and dealing with disputes. The assessment recognised the administrative saving for a contractor's personal service company or intermediary, where they are no longer required to determine if the off-payroll working rules applied to an engagement.

HMRC publishes estimated administrative burdens in Tax Information Impact Notes (TIINs). The TIIN for the 2017 public sector reform was published on 8

⁹ Full CoA PGMOL judgement - <https://www.bailii.org/cgi-bin/format.cgi?doc=/ew/cases/EWCA/Civ/2021/1370.html>

March 2017, and the latest TIIN for the 2021 reform in the private and voluntary sectors was published on 3 March 2021.

The admin burden for the 2021 reform in the private and voluntary sectors was originally assessed as having a one-off impact of £14.4 million, with an ongoing negligible net impact. Following evidence provided during a previous House of Lords inquiry into the private sector reform, HMRC reviewed the estimates which included re-testing assumptions, refreshing figures, and consulting with stakeholders. The admin burden assessment was revised to a one-off admin burden impact of £19.7 million with an ongoing net saving of £0.3 million, composed of a reduced ongoing admin burden for PSCs and an increased ongoing admin burden for engagers. There is an increased one-off impact for both PSCs and engagers. A copy of the findings of this review were shared with the Committee in February 2021.

It is too soon to evaluate the impact of the April 2021 reform in the private and voluntary sectors, but HMRC has commissioned external research to understand the short-term effects of the reform with fieldwork having begun, which will include administrative impacts on organisations. We can, however, draw on insights from the research published into the short and long-term effects of the 2017 reform in the public sector to understand the changes that organisations have to make.

Evidence from this research support the idea that, while there are some costs in initially implementing the reforms, the majority of organisations find the ongoing operation of the rules easy and reasonable to apply:

- The report on the long-term effects of the 2017 reform on the Education sector, found that 73% of organisations found the rules easy to comply with in the long-term, and 77% of organisations agreed with the statement that the overall level of ongoing administrative burden was reasonable (with only 6% disagreeing).
- The research into the short-term effects of the 2017 reform found a slightly lower figure, 49% of central bodies and 57% of sites, found the rules easy to comply with.

HMRC recognises that customers need support with any major tax change and has provided an extensive programme of education and support to help customers to prepare for and implement the changes, taking on board insights from the research findings into the effects of the 2017 reform on the public sector. Detail of HMRC's programme of education and support is set out in response to question 4.

Changes for HMRC

The operational costs of implementing this measure are calculated to be in the region of £18.5 million between the tax years 2018 to 2019 and 2025 to 2026.

Compliance teams will be providing extensive support and guidance to businesses to help them implement the off-payroll working rules and ensure they apply them correctly.

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?

Ahead of the 2021 off-payroll reform, HMRC provided a detailed programme of education and support for customers affected by the changes. This started ahead of the planned implementation date of April 2020 and has continued after the changes came into effect in April 2021.

The Government's decision to delay the reforms to 2021 due to the pandemic meant HMRC used the additional time between April 2020 and April 2021 to provide additional support for customers to prepare for and comply with the reforms.

The education and support provided took a multi-channel approach and included:

- direct communications with organisations through over 100,000 emails, letters and messages through payroll systems, along with 949 calls with the largest businesses,
- providing 57 webinars supporting all affected organisations and contractors,
- working with specific sectors to identify any areas of difficulty and by providing more targeted support, including 30 workshops, sector specific factsheets and through representative/industry bodies,
- providing additional support to contractors through tailored factsheets and working with stakeholders to reach those who may not have initially been aware they were in scope of the changes, and
- continuing to enhance the information [published on GOV.UK](#). Additional communications material for customers [can be found here](#). HMRC's most visited guidance page received over 150,000 visits during March and the start of April 2021 suggesting that customers were taking active steps to comply with the changes.

HMRC's approach to education activity was in addition to our engagement with stakeholders, which focused on several areas:

- Working closely with the IR35 forum, a group of industry representative formed to advise on the administration of IR35 policy in practice by acting as a consultative body. The forum has provided valuable insight into products to help ensure these were well understood by customers and acted as a channel to cascade information to its members.
- Working with external stakeholders, including stakeholder forums and representative bodies, to promote the understanding of the rules. This included working closely with the tax advisory services and other representative groups to provide effective education and support and working with these organisations to channel information to their memberships.

While HMRC's general awareness-raising communications campaign wound down over summer 2021,

HMRC is continuing to provide customers with support on specific sectors or issues identified where support is needed, and is promoting this through wider communication activity. For example, HMRC will be delivering a new webinar on three dates in November 2021 on contracted-out services (an area of cross-sector stakeholder interest).

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?

It is too soon to have evaluated the impact of the April 2021 reform in the private and voluntary sectors, but HMRC has commissioned external research to understand the short-term effects which will include findings on disputes.

However, insights can be drawn from the research published into the short and long-term effects of the 2017 reform in the public sector. This research found some evidence of disputes occurring, and an indication that disputes may become less common over time.

The report on:

- the short-term effects of the 2017 reform on all public authorities found some organisations had experienced disputes with contractors or agencies; 46% of central bodies and 31% of sites.
- the long-term effects of the 2017 reform on the Education sector found that 18% of education sites had experienced disputes with contractors or agencies, having fallen from 22% of education sector sites in the research into the short-term effects. The number of participants included within the March 2021 research publication was reduced to help organisations, primarily the NHS, deal with the impact of the coronavirus pandemic. Further research will be published in due course which will provide more insight into whether disputes decline over time.

The committee may be interested in a number of changes that have occurred to disputes within the off-payroll working rules, and the guidance provided to customers, since the 2017 reform was introduced which may impact the number of disputes or how they are dealt with:

- The off-payroll working reform in 2021 introduced the client-led disagreement process, which formalised the process by which a worker can dispute their status determination with their client. This allows the worker or the deemed employer to submit representations stating that the client's determination is incorrect. The client is then required to consider these representations and respond within 45 days of receipt. Failure to do so will result in the client becoming responsible for operating PAYE on the deemed direct payments until they have complied with the legal duty.
- HMRC's recent education and support programme provided a significant amount of material to help clients to make the correct determinations. This included two different topic-based webinars on making determinations and on CEST, as well as answering live questions from clients in webinars and workshops. HMRC also provided specific support for contractors to help them understand what the reform meant for them, and how they should dispute any decisions they disagreed with.

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?

The reforms into off-payroll working have not introduced a new tax liability but instead have been designed to ensure that rules, that have been in place since 2000, are complied with. The reform has shifted the responsibility for assessing whether the rules apply from the workers' PSCs to the medium- and large-sized organisations that engage them.

While the reform does not prevent workers from being able to work through their own company, the Government recognises that a consequence of the reform might be for organisations and contractors to reconsider how they work together, and that some contractors may change the way they provide services. These are commercial decisions to be made by organisations and contractors, and in many cases are likely to be driven by a wide range of factors. HMRC recognises and expects that, following the off-payroll reforms, some contractors will have moved into permanent roles, or onto the payroll of an agency or umbrella company.

It is too soon to have evaluated the April 2021 reform in the private and voluntary sectors; however, HMRC has commissioned external research which will include impacts on the workforce and labour market. While not necessarily representative of the private sector, HMRC does have insights from research into the effects of the 2017 reform in the public sector on workforce changes following the off-payroll working rules reform. These are broadly in line with HMRC's expectations, with evidence suggesting that the overall demand and supply of contractors following the reforms remains broadly stable in the short and long term, with some evidence of contractors changing the way they provide services, moving from working through their own company to other structures:

- The findings from the research into the long-term effects of the 2017 reform on the Education sector found that only 4% of sites who engaged contractors before and after the reforms reported a decrease in the use of off-payroll contractors, and only 8% reported a decrease in the use of PSCs specifically. The median number of contractors overall, and PSCs specifically, in March 2020 compared to March 2017 had increased.
- The short-term effects of the 2017 reform on all public authorities found a higher number of organisations reported a decrease in the use of off-payroll contractors and PSCs specifically:
 - 39% of central bodies and 50% of sites reported a decrease in the use of off-payroll contractors. However, the scale of change for most organisations was unsubstantial, with the median change in the total number of contractors being zero for central bodies, and one fewer contractors for sites; and,
 - 36% of central bodies and 28% of sites reported a decrease in the use of PSCs specifically, with the median change in the number of PSCs being one fewer for central bodies, and zero change for sites.
- Looking at changes to umbrella companies specifically, both reports into the 2017 reform found limited change in the use of contractors via umbrella companies. The report into the long-term effects of the 2017 reform on the education sector found only 2% of organisations used umbrella companies, and 98% reported no change in their use. The report into the short-term effects of the 2017 reform found a slightly

higher 11% of central bodies and 6% of sites had increased their use of umbrella companies. However, the qualitative parts of the research reports published, including the research with employment agencies, have provided examples of contractors moving away from being engaged via PSCs to being engaged through other structures, including umbrella companies and on the payroll of agencies.

HMRC recognised that contractors may be changing the way they work and have run a pro-active communications campaign to raise awareness of the reforms among contractors, including highlighting things contractors should consider if they are changing the way they work. This has included publishing [blogs on social media for contractors changing the way they work](#), [guidance on working through an umbrella company](#), [guidance on mini umbrella company fraud](#), and signposting HMRC's [campaign on tax avoidance](#) and its guidance on spotting tax avoidance, with recently published guidance on [GOV.UK](#).

7. The Government is proposing a new employment body with powers to enforce employment rights, including for those engaged by agencies and umbrella companies. How effective do you think such a body will be in ensuring workers, particularly the lower paid, are treated fairly

In the United Kingdom, the vast majority of employment rights are individually enforced through employment tribunals. The state takes a role in protecting the rights of certain, particularly vulnerable, workers. The three main employment rights enforcement bodies are:

- The Employment Agency Standards Inspectorate (EAS) – a part of the Department for Business, Energy and Industrial Strategy – which regulates employment agencies and employment businesses and protects agency workers.
- National Minimum Wage (NMW) / National Living Wage (NLW) enforcement – part of HMRC – which ensures the lowest paid are paid NMW/NLW.
- The Gangmasters and Labour Abuse Authority (GLAA) – a non-departmental public body of the Home Office – which regulates labour providers in the agriculture and fresh food supply chain and protects victims of modern slavery.

The Government also has a strong track record in enforcing employment rights for the low paid. Since 2015 the Government has doubled the budget for the enforcement of the National Living Wage and National Minimum Wage and has ordered employers to repay £100 million to 1 million workers who had been underpaid the minimum wage.

On agency workers specifically, the Employment Agency Standards (EAS) Inspectorate has an established track record of protecting work seekers and continually seeks to increase awareness with work-seekers of their rights. The Government has increased transparency for agency workers through the introduction of key information documents in April 2020, which are given to all new agency workers to offer clarity around how they will be engaged, including details of remuneration.

The Government has also banned the use of 'Swedish Derogation' contracts from 6 April 2020, meaning agency workers are no longer able to opt out of

equal pay entitlement after 12 weeks in the same role with the same hirer. EAS has a strong track record in securing work-seekers statutory rights, including securing payments of monies owed to work seekers of over £1.6 million between 2008 and 2020. EAS also works with the recruitment sector directly to support regulatory compliance and industry best practice, and regularly delivers free webinars and offers support for business to support regulatory improvement.

Further background on state enforcement of employment rights, including for agencies workers, can be found in this [consultation response](#).

Plans for a single enforcement body for employment rights

While the existing employment rights enforcement bodies do important and effective work to protect vulnerable workers, fragmentation across several bodies can be a difficult landscape for workers and employers to navigate.

The position of Director for Labour Market Enforcement was created to help set a strategic direction for the three bodies and a more joined up approach. Creating a single enforcement body for employment rights will build on this work by merging the three bodies into a single organisation and extending state enforcement to other employment rights.

The main benefits of a single enforcement body will be:

- extended state enforcement to include holiday pay for vulnerable workers, umbrella companies in the agency worker supply chain, and statutory sick pay
- a strong, recognisable single brand so individuals know where to go for help and how to raise a complaint
- better support for businesses who want to comply with the rules
- coordinated enforcement action, with new powers and sanctions to tackle the spectrum of non-compliance
- pooled intelligence and more flexible resourcing
- closer working with other enforcement partners

This new body will help the country build back better by taking a smarter approach to the enforcement of employment law. It will make it easier for the vast majority of responsible businesses to comply with the rules, whilst ensuring a level playing field through effective enforcement against those who cut corners and exploit workers.

The body will support businesses to do the right thing for their employees by providing guidance on their obligations to staff. Meanwhile, increased enforcement will make sure good businesses aren't undercut by unscrupulous rival employers who aren't paying or treating their workers correctly.

8. How successful will the draft Finance Bill proposals for earlier publication of information about promoters and avoidance schemes be in protecting individuals from being drawn into such schemes?

The Government is committed to tackling promoters of avoidance schemes, and legislated in the Finance Act 2021 to enhance HMRC's existing anti-avoidance regimes to enable HMRC to take quicker action against promoters,

including publishing information more quickly. The Government has also consulted on and will be legislating in Finance Bill 2021-22 a further package of measures to build on these changes, to ensure promoters face the consequences of their actions more promptly.

The proposed changes will support taxpayers to leave tax avoidance schemes they have entered and will deter others from getting involved in these arrangements in the first place. As set out in our promoter strategy, published last year, reducing the demand for the promoters' products is a key element of undermining their business model.

These changes will allow HMRC to share at an earlier stage more information than is currently possible with taxpayers about promoters and avoidance schemes. The proposal was given broad support when HMRC consulted on it this year. Many respondents felt that providing potential scheme users with more information and earlier than is currently possible would assist taxpayers in being able to avoid entering into these schemes in the first instance.

Respondents to the consultation also highlighted the need for HMRC to proactively publicise the list of promoters and schemes to ensure that it reaches as many interested parties as possible. HMRC agree with this, and are exploring how best to target this information to those who are in schemes or are potentially at risk of entering into schemes. HMRC are also considering how best to ensure that this information is integrated with existing communications products such as existing naming measures and Spotlights publications.

These changes are a key part of a wider approach to ensure taxpayers understand the risks of entering or staying in avoidance. The approach includes:

- An education campaign, launched in November 2020, highlighting how to spot avoidance schemes, what the risks are to them, how to report schemes and promoters to HMRC, and where they can find more information to make informed choices. This is aimed at taxpayers who are likely to be targeted by promoters.
- Contacting customers quickly when HMRC systems show they might have joined

an avoidance scheme. Since April 2020, HMRC has written to around 33,000 taxpayers and are now writing to taxpayers suspected of having entered avoidance schemes within a few weeks of spotting their involvement. The aim of this is to help them move out of their avoidance schemes before they build up large tax bills.

- Providing greater information about suspected avoidance schemes and promoters and challenging misleading information by promoters. The changes included in the Finance Bill, together with other provisions, including those enacted in Finance Act 2021, enhance HMRC's ability to provide information that will help taxpayers understand the risks of what they are being offered or have already joined. They also enable HMRC to provide this information more quickly.

In more detail, the Finance Bill 21-22 changes will enable HMRC to provide any information it considers appropriate to inform taxpayers of the risk, such as:

- actions HMRC are taking under the anti-avoidance rules, including,

where relevant, whether they believe that the scheme is disclosable;

- confirmation that similar schemes have been found to not give the benefits claimed;
- details of where relevant schemes have been defeated where a promoter had suggested that the schemes always worked;
- details of where a promoter had been successfully challenged under any of the anti-avoidance regimes; and
- details of a promoter's previous defeats under different names, or organisational structures, where they claimed to be a new promoter or fail to draw attention to their failure under that name.

18 November 2021