Autumn Budget 2017:
Key announcement that impact contractors

IR35 in the private sector

The government announced in the Autumn Budget 2017 that they will be "carefully" consulting in 2018 on how to tackle non-compliance within the intermediaries' legislation (IR35) in the private sector. They recognise the need to undertake this process carefully and acknowledge they must take into account the needs of business and individuals throughout the consultation process. We hope that this consideration will include a full review of the impact within the public sector.

> **It is widely viewed that the Private Sector reform is simply a matter of "when" rather than "if" by many leaders working within this sector. However, we must consider the increase work load that Brexit brings. This has the potential to delay, if not stop reform and it is important not to react based on previous legislation change approaches and take time to make careful and correctly informed decisions. Making uninformed decision could see high volumes of contractors move to both compliant and uncompliant Umbrella structures.**

It is important that Trade Associations, Providers, Recruitment Agencies and End Clients work jointly to provide the government with a uniform response from the sector as to the significant impact that reform could bring. Something not previously achieved by the sector in previous consultation processes.

Employment Status Consultation

The government further announced a discussion paper as part of the response to **Matthew Taylor's** review of employment practices in the modern economy, exploring the case and options for longer-term reform to make the employment status tests for both employment rights and tax clearer. We welcome this announcement and the government's acknowledgment that this is a complex and important issue and their commitment to work with stakeholders to ensure that any changes are considered carefully.

The aim of the Employment Status Consultation is to bring greater clarity to employment status tests and tax. There will be numerous potential outcomes if the Taylor recommendations are ultimately acted upon, which include:

- **The alignment of tax law and employment status law, rendering IR35 obsolete**
- **Employment rights for contractors taxed as employees**
- **The introduction of 'dependant contractor' status**
- **An increase in self-employment taxes**

Tackling disguised remuneration

As announced previously in the 2016 Budget and confirmed in the Autumn Budget 2017, the government will legislate in the 'Finance Bill 2017-18' to tackle existing, and prevent future use of, disguised remuneration tax avoidance schemes. The majority of the changes announced in the 2016 Budget have been enacted, including the new charge on loans made after 5th April 1999 through discussed remuneration schemes that remain outstanding on 5th April 2019.

> **Staying true to form, the chancellor announced a raft of measures targeting tax avoidance and evasion. This includes measures intended to stifle attempts by some employers to avoid their NICs obligations, as well as measures to prevent disguised remuneration avoidance schemes. These measures could see a change in focus for HMRC, who may look to target larger avoidance cases rather than the easy pickings of individual contractors. This, however, will mean that more contractors will be caught in the net when larger corporations are monitored, assessed and caught by the legislation.**

Other notable points could impact Recruiters and Contractors

- **The personal allowance is set to rise to £11,850 from April 2018 –** This will mean that in 2018-19, a typical taxpayer will pay at least 31,075 less tax than in 2010-2011.
- **The Higher rate tax threshold will also rise to £46,350 from April 2018 -** The higher-rate threshold of 40% will also rise from £45,000 to £46,350 from April 2018, and will apply to anyone earning under the £100,000 tax threshold.
- **Business rate relief – the planned switch from RPI to CPI will happen in April -** Retail price index (RPI) to the consumer price index (CPI) will take place two years earlier than planned. The switch to CPI as a measure of inflation in April 2018, the chancellor claims, will save businesses £2.3 billion over the next five years. This change is estimated to save businesses nearly 1% on their rates bills.
- **Government will delay implementing NICs policy changes by one -** Self-employed workers will continue to pay Class 2 national insurance contributions (NICs) either voluntarily or mandatorily until April 2019.
- **The lifetime allowance for pension savings will increase to £1,030,000 from 2018 - The lifetime allowance will rise in line with CPI (rounded to the nearest £100) to £1,030,000 for 2018-19. This will rise in April.**
- **Stamp Duty will be abolished for first time buyers on homes worth up to £300,000 -** First-time buyers will pay zero stamp duty on the first £300,000 of any home that costs up to £500,000 with immediate effect. This means on a home worth less than £300,000, you'll pay no stamp duty. The Treasury estimates the move, will take 80% of first-time buyers out of paying stamp duty altogether. It'll save the average first-time buyer purchasing a £210,000 property some £1,640 in stamp duty. The changes apply to purchases by first-time buyers in England, Wales and Northern Ireland – there's no change for buyers in Scotland.

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