

news release



False self employment in the construction industry

HMRC has recently published the results of the consultation it ran last year into proposed remedies to false self-employment in the construction industry.

Andrew Snowdon, Tax Principal at MacIntyre Hudson and Head of the Property and Construction sector within the firm, offers this response:

“It is entirely disappointing that despite the majority of those who submitted a response to the consultation casting their vote against change, this government is still convinced that the only way to resolve this issue is to bring in a deeming test without employment rights.

“While it could result in a significant additional administrative and tax burden for construction companies and contractors, it certainly won’t be of immediate benefits to construction workers. Workers would be deemed to be employed for tax purposes but the legislation would not bring in changes to their employment rights.

“Pockets of ‘false self employment’ may well exist in the construction industry but the deeming test, unless refined substantially, would imply that almost every worker without his own tools would be employed. Case law has shown this very much NOT to be the case.

“The only good news here is that HMRC has agreed that now is not the time for change. Even if it were the right time in HMRC’s eyes, the general election means that such a change cannot be introduced in the near future. However, the construction industry can’t assume that this issue will just go away. It is likely that the next government (irrespective of whether it is Conservative or Labour) will put this back on the agenda. After all, with a hefty national deficit to reduce, the additional NIC hit on contractors this change would bring in, any Government may be tempted to meddle.”

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