

Contractor Survey

Contractor expenses are under threat and we need evidence to support arguments against the proposals

Act Now

These proposals will affect both umbrella and limited company contractors and will reduce the income retained from assignments.

Contractors Expenses Under Threat

Following the Summer Budget yesterday it is now clear that expenses currently claimed by contractors for travel and subsistence are under attack.

A consultation document was released following the statement that proposes changes to the expenses regime that will mean end clients will have to confirm that there is NO supervision, direction or control before a contractor will be able to claim travel and subsistence expenses.

This will mean the end of expenses for many contractors and these include accommodation, travel and meals.

Umbrella Contractors

These proposed changes will impact umbrella contractors further as in the Finance Bill 2015 changes were made that means from tax year 2016/17 all pay must be paid with full PAYE applied. Therefore there will no longer be immediate tax relief on allowable expenses.

The contractor will then be required to make a tax claim at the year end for the allowable expenses they have incurred. This claim can only be made where the end client has confirmed that the contractor is not subject to supervision, direction or control.

PSC Contractors

Contractors operating through their own limited company will also be subject to the new rules and test, meaning that they will only be able to claim the expenses where the end client has confirmed that they are also not subject to supervision, direction or control.

This will have an obvious knock on effect for the limited company contractor in relation to IR35.

Where a client confirms that there IS supervision, direction and control this will result in the contractor being caught by IR35 and having to apply the deemed payment calculation.

ACT NOW

The consultation is open until the end of September and this is the window available to provide evidence and propose amendments.

To gather evidence directly from contractors we have created a survey that we ask all contractors to complete. The survey will provide valuable hard evidence to support proposals we make for amendments to these rules.

We would also ask you to forward this to any contractor you work alongside or know as the more response we gather the more compelling the arguments will become.

You can complete the survey by following this link:

bit.ly/2015_Survey

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IR35 Back On The Agenda

It was also announced in the Summer Budget yesterday that HMRC are to once again consult on how IR35 can be enforced more effectively.

The proposals made on the test for supervision, direction and control in relation to expenses suggest that many workers could find themselves caught by IR35 depending on the end client confirmation, however it has been noted that IR35 applies to a wider set of criteria.

With the announcement made yesterday on the new test it must throw in to doubt the long term future for IR35.

PSC Contractors Face Increased Tax from 2016

The Summer Budget yesterday announced changes to the taxation of dividends which will result in increased levels of tax for all contractors who operate through their own limited company and operate a dividend policy.

The new tax brings the overall tax effect on dividends, when combined with the corporation tax that is also payable, much closer to the cost of being paid through PAYE.

The overall effect for many operating through their own limited companies will be an increase in the amount of tax due, even after taking in to account the £5,000 tax free allowance on dividends announced.

Further Changes On The Horizon

The Summer Budget also confirmed that the Government will look at the OTS recommendation for a full review of employee allowable expenses.

This review is likely to result in further changes to the expenses that contractors are able to claim.

We will be watching this closely and keeping contractors informed on future developments.