

Chancellor's Autumn Statement



Last week (22 November 2023) the Chancellor delivered his Autumn Statement, which, despite all the rhetoric and propaganda, was largely a damp squib for the contracting sector. Let me explain why.

Contractors will miss out on most announcements

There were a myriad of new initiatives designed to support the finances of both businesses and people, but as contractors sit somewhere between the two they are once again largely forgotten. Corporate measures such as business rate cuts and full expensing are not generally applicable to contractor businesses, yet cuts to self-employed national insurance affect sole-traders so are also not applicable. So was there anything useful from the Chancellor?

IR35 offset

The tax policies announced alongside the Autumn Statement include the IR35 offset which has been under discussion for some time. It means that tax already paid by contractors working outside IR35 can be taken into account when HMRC challenges the end-clients' making that outside determination. The amount of tax and NICs owed by clients can be reduced by the amount already paid by the contractor's personal service company, rather than the current system which inevitably involves some double taxation.

The offset is a rather niche change, and one to be welcomed although it doesn't actually help the financial position of contractors themselves. Rather it reduces the financial risk for clients, which we hope will translate into more outside IR35 roles being offered.

Umbrella company workers

There was a complete absence of any mention of regulating the umbrella sector, despite it being worth some £12bn in tax and NICs to the Exchequer, and despite it being well-known that tax avoidance schemes masquerade as 'compliant' umbrellas. Even HMRC acknowledges that

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99% of the tax avoidance market involves disguised remuneration schemes targeting contractors and agency workers, so their continued failure to regulate is baffling considering they first promised to take action back in 2018.

So although umbrella workers' income remains at risk (due to dodgy schemes continuing unchallenged), they should be financially better off due to the NICs cut. In case you missed it, employees NICs will decrease from 12% to 10% from 6th January 2024, meaning that anyone paid via payroll should be financially better off in the new year.

Tax avoidance schemes

Despite failing to regulate the umbrella sector, Hunt's Autumn Statement did confirm tougher sanctions against tax avoidance scheme promoters. This is all very positive if they actually use them, however the current regime is underused with the government seeming unwilling or unable to take the robust action needed. I hope that alongside the new powers comes a new resolve to actually apply them.

In summary

As usual the Autumn Statement was nothing more than a PR exercise, full of positive rhetoric but very little of substance. A damp squib all round.

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