

HM Treasury AUTUMN STATEMENT 2013 - extract

Extract focusing on those parts of the statement that may impact the payment of tax by the self-employed (or those posing as self-employed) in general, or interim managers specifically.

Please note the purpose of this enquiry is not to take issue with the laudable HM Treasury steps to address tax abuse, but to scrutinise areas where legitimate self-employed interim businesses may be wrongly caught by tax regulation changes.

Autumn Statement (full copy at <http://bit.ly/1cnx7nN>)

Executive Summary (p.5)

Autumn Statement 2013 sets out the next steps in the government's long-term economic plan:

- clamping down further on tax evasion, avoidance and aggressive tax planning, ensuring that those with the most in society make a fair contribution to reducing the deficit.

Fairness (p.8)

Since 2010, the government has been relentless in its crackdown on tax avoidance and aggressive tax planning, and there are strong signs that its approach is working. But a minority of taxpayers continue to seek out unacceptable ways to reduce the amount of tax that they pay. This increases the tax burden on the rest of society, and creates an unfair playing field for businesses and employers. The government will therefore continue to take further steps to close down avenues for both tax avoidance and evasion, bringing in more than £6.8 billion of new revenue over the forecast period – more than any other fiscal event this Parliament.

Autumn Statement 2013 announces that the government will:

- clamp down further on tax avoidance and aggressive tax planning, including by preventing employment intermediaries from disguising employment as self-employment to avoid tax, and by introducing a new power requiring taxpayers using avoidance schemes that

have already been defeated in the courts to pay the tax they are trying to avoid upfront

1.74 To lock in lower levels of spending, Autumn Statement 2013 announces a reduction in unprotected Resource Departmental Expenditure Limit (RDEL) budgets of £1.1 billion in 2014-15 and £1 billion in 2015-16. (p.28/29)

This represents a reduction of 1.1%.

HM Revenue and Customs (HMRC) will also be exempt from the reduction to enable HMRC to continue to focus on tackling tax avoidance and evasion.

Fairness (p.63)

1.239 This government is determined to support the aspirations of hard-working people, and to ensure that no one is left behind as the economy recovers.

Autumn Statement 2013 sets out further action to improve living standards, support people into work, and make the tax and welfare system fairer for everyone. The government will:

- take further action to tackle tax avoidance and evasion, raising more than £6.8 billion of new revenue over the forecast period – the largest package of any fiscal event this Parliament – and ensuring that everybody pays their fair share towards reducing the deficit

Ensuring a fair contribution from business and individuals (p.71)

1.288 The government is committed to ensuring that everyone contributes to reducing the deficit by paying their fair share of tax. That is why it is taking significant further steps this Autumn Statement to create a fairer tax system and ensure everyone pays the tax that is due.

1.289 The government announces a significant package of measures that will:

- ensure that those with the most in society make a fair contribution

- go further to clamp down on tax avoidance and aggressive tax planning, building on its success in dampening the avoidance market

1.290 Collectively, measures announced at Autumn Statement 2013 to tackle tax avoidance and evasion will raise more than £6.8 billion of new revenue over the forecast period and protect billions of pounds of revenue, making it the largest avoidance and evasion package announced this Parliament.

1.291 Supported by the government's investment of almost £1 billion in HMRC to tackle tax avoidance and evasion, HMRC has secured over £60 billion in compliance yield since the start of this Parliament. This is forecast to reach over £120 billion by the end of 2015-16, which is almost £40 billion more than would have been achieved had HMRC's performance stayed at 2010 levels.

1.292 Building on this success, Autumn Statement 2013 announces that **the government will increase HMRC's compliance yield targets** so that HMRC will now be required to secure a further £3.7 billion in compliance yield by the end of 2015-16.

Tackling tax avoidance and aggressive tax planning (p.72)

1.296 The vast majority of people and businesses in the UK pay the tax they owe on time and do not try to avoid their responsibilities. But where they exist, tax avoidance and aggressive tax planning damage the ability of the tax system to raise revenue fairly and impose additional costs on all taxpayers.

1.297 Since June 2010, the government has been relentless in its efforts to tackle tax avoidance and has taken a range of action to prevent avoidance at the outset and to detect and tackle it more effectively where it persists. The government has introduced major reforms to the UK tax system, such as the General Anti-Abuse Rule and disguised remuneration legislation, made 34 changes to tax law to close loopholes, and taken a range of action to target the irresponsible minority of promoters who persist in selling tax avoidance schemes that have little or no prospect of success.

1.298 There are strong signs that the government's approach is working:

- 80% of the avoidance cases heard in the courts are being won by HMRC, with around £1.7 billion tax so far protected in 2013 alone, including over £1 billion by tackling large corporate tax avoidance schemes

1.299 Despite these successes, a minority of taxpayers continue to seek out unacceptable ways to reduce the amount of tax that they pay. This increases the tax burden on the rest of society and creates an unfair playing field for businesses and employers. The government will therefore continue to take steps to close down avenues for tax avoidance and aggressive tax planning in 4 main areas.

Tackling avoidance of employment taxes (p.73)

1.305 Significant progress has already been made over this Parliament to tackle the avoidance of employment taxes by combating disguised remuneration, avoidance by Employee Benefit Trusts and ensuring the correct income tax and NICs are paid by employers and employees when offshore employment intermediaries are used. At Budget 2013, the government announced that it would continue to gather evidence about the avoidance of employment taxes to inform future policy decisions.

1.306 As the next step, **Autumn Statement 2013 announces action to prevent employers and employment intermediaries from avoiding employer NICs and circumventing their employer obligations.**

The government strongly supports enterprise and those who choose to work for themselves, and believes that the tax system should continue to recognise the additional risk someone who is genuinely self-employed takes on. But the government is acting now to level the playing field so that companies cannot use employment intermediaries to disguise employment as self-employment and thus avoid employment taxes and deny employment rights to their workforce.

The government will legislate to prevent employment intermediaries from being able to use contrived contracts to disguise the employment of workers.

This will take effect from April 2014 and raise around £400 million each year.

Clamping down on tax avoidance schemes

1.308 Autumn Statement 2013 confirms that the government will:

- **introduce a new power that requires taxpayers who are using avoidance schemes that have been defeated through the Courts to pay the tax in dispute with HMRC upfront.**
- **consult on the scope for extending this power by widening the criteria for which taxpayers are required to pay any disputed tax upfront**

2.7 Reduction in departmental spending in 2014-15 and 2015-16 – Resource DEL (p.81)

budgets will be reduced by 1.1% in 2014-15 and 2015-16 to generate savings of £1.1 billion in 2014-15 and £1 billion in 2015-16.

HMRC is exempt from the reductions to enable them to continue to focus on tackling tax avoidance and evasion, and to contribute AME savings.

Personal tax (p.95/96/97)

2.129 Employment intermediaries facilitating false self-employment

The government will amend existing legislation to prevent employment intermediaries being used to avoid employment taxes by disguising employment as self employment. The government will consult on strengthening existing legislation to ensure the correct amount of tax and NICs are paid where the worker is, in effect, employed, with effect from April 2014. (Finance Bill 2014)

2.139 Accelerated tax payment in avoidance cases

In addition to introducing a new regime of follower penalties, the government will remove the cash advantage from sitting and waiting during a tax avoidance dispute by issuing new 'pay now' notices to taxpayers. These will initially be issued to taxpayers who are using tax avoidance schemes which have already been defeated in the courts. The government will also consult on the scope for widening the criteria for 'pay now' notices. (Finance Bill 2014)