

Tackling false self employments in one easy step

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The [government announced in the Autumn Statement last week that:](#)

As the next step [in tackling abuse of employment taxation], 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 4 Autumn Statement 2013 disguise the employment of workers. This will take effect from April 2014 and raise around £400 million each year.

I warmly welcome this. Indeed, I suggested tackling this abuse years ago - before this blog began - to HMRC and I have given it an outing on odd occasions ever since.

The easiest way to do it though, by far, is not to worry about contrived contracts, important as they might be. The best way to tackle this is to change the tax return requirements for all businesses - whether self employed, companies or LLPs, with reported turnovers of less than £150,000. This, admittedly, is the vast majority of such businesses, but so be it.

For these businesses, which will cover almost every single concern hiding a disguised employment, a straightforward request should be added to the tax return, which is that the top ten customers by turnover be declared on the tax return.

There are four reasons for doing this. First, this will require businesses to have records. I suspect there are those that do not.

Second, this will of course reveal those with disguised remuneration: there will be one

or two customers only.

Third, HMRC then concentrate effort in the right place.

Fourth, and as is always the case in my thinking on such issues, the chance of being found out will have been increased dramatically, meaning that the incentive to abuse will have been reduced.

And yes, I know cash businesses do not fit in: they should supply a 52 week taking summary as an alternative. That will also be telling.

An extension of flat rate allowances would more than compensate for the effort involved and save a great deal, overall.

I am baffled as to why such a simple logic - which I proposed years ago in a meeting with HM Treasury - still cannot be embraced because if you want to stop such abuse the simplest way is to ask for data on it, and not go round the houses.

The fact that we might close a bit of the tax gap as a result is just one of the bonuses that might result.