

Legislation to offset taxes paid by workers caught by IR35 welcome

Briefings



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CIOT welcomed the announcement in the Autumn Statement that taxes already paid by workers who were incorrectly categorised as outside the scope of off-payroll working rules (IR35) can be offset against the tax due from their deemed employer.

The CIOT has been calling for this move, saying that it would be fairer and more efficient than the current system which obliges HMRC to notify affected workers of their recategorisation and requires them to recalculate their taxes, amend tax returns and submit claims for overpayment relief.

Colin Ben-Nathan, Chair of the CIOT's Employment Taxes Committee, explained: 'At the moment, a worker who is recategorised as being in a "deemed employment" relationship is likely to end up paying no or little tax on the amount paid to them by the organisation who engaged them, with that organisation effectively bearing that tax as an additional cost. We do not believe that can be the right answer.'

'The set-off approach will, in particular, be much fairer on the public purse in cases that involve public bodies, as taxes paid by workers as if they were outside the scope of IR35 would be retained by the Exchequer and only the difference would be settled by the public bodies out of their government funding. At the moment, in these cases, the full tax cost is potentially being borne by the Exchequer and the worker can effectively make a windfall gain at the Exchequer's expense.'