

Off-payroll working in the private sector

Response to the consultation by the Charity Tax Group

10 August 2018

1. The Charity Tax Group (CTG) has over 600 members of all sizes representing all types of charitable activity. It was set up in 1982 to make representations to Government on charity taxation and it has since become the leading voice for the sector on this issue.
2. CTG welcomes the opportunity to respond to this consultation and would be happy to meet officials to discuss our feedback in greater detail. CTG recognises the importance of improved tax compliance, and we are keen to work with Government to ensure that reporting mechanisms are well targeted and proportionate and that there is sufficient support available to charities.
3. We have not responded to individual questions within the consultation document but have concentrated on making comments on the possible impact on charities of extending off-payroll working to the private sector, including charities. This is in part informed by feedback from the limited number of charities that have been required to comply with the IR35 rules for public sector organisations – most have adapted to the new rules but the extension to a larger number of charities could present wider challenges.
4. Charities can often work with a number of agencies and third parties, as they do not always need the services of full time or long-term staff and require the flexibility of being able to engage off-payroll agency workers and consultants with specialist expertise to meet their requirements.
5. The decision to extend off-payroll working rules to the private sector has the potential to create additional administrative and cost burdens for affected charities. Charities often operate very small payroll departments and may have to increase capacity and expertise to ensure compliance with the rules. Extra administrative and cost burdens may include:
 - Time to undertake case by case analyses to determine employment status due to the increased tax and reputational risks of getting this wrong
 - Time for regular monitoring of variations to engagements
 - Time and cost of internal training of staff and volunteers
 - Additional time negotiating rates and resolving disputes with contractors (and the potential of higher rates from those that fall into IR35)
 - Additional costs passed on by agencies (including Employer NICs, Apprenticeship Levy, VAT (in most cases irrecoverable) and admin fees).
6. In this context, it is important that if the off-payroll working rules are extended to the private sector there is sufficient guidance and support in place for organisations that need it. In our experience, a gradual implementation process, with continued consultation with the sector would be the best way to achieve this.

CTG
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The voice of charities on Tax

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