



All-Party Parliamentary Loan Charge Group

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Inquiry into How Contracting Should Work Terms of Reference

3rd December 2020

Loan Charge APPG

The All-Party Parliamentary Loan Charge Group is composed of MPs and Peers concerned about the **Loan Charge**, its fairness and impact on individuals and HMRC's conduct in enforcing it and the wider context of related tax legislation. The Loan Charge believe that everyone should pay their taxes due according to the law and that HMRC should clamp down on those mis-selling 'disguised remuneration' schemes.

Inquiry and Purpose

The Inquiry is a Select Committee style short single-focus inquiry to take place in December 2020, reporting in January 2021.

The purpose of the inquiry is to examine how contracting and freelance working, an important model of working, should operate, be remunerated and taxed fairly and appropriately and to avoid tax avoidance schemes being promoted/used or actually existing at all. The APPG believes that this is of fundamental importance to avoiding another Loan Charge scandal and the best way ultimately to stop the promotion and use of disguised remuneration schemes as well as finally properly recognising contracting and freelancing in legislation.

Scope of the inquiry

The inquiry seeks written and oral evidence, from a range of sources, to establish what 'best practice' exists to organise, remunerate and tax contracting and freelancing.

It will explore what model or models are appropriate and the basis on which people should be remunerated and taxed, to reflect the fact that people are not employees and starting from a principle that people should only be taxed as an employee if they are genuinely employed and receive employee rights and benefits and have an employment contract (that abides with employment law).

Co-Chairs: Sir Edward Davey MP, Ruth Cadbury MP, Sir Mike Penning MP
Vice-Chairs: Baroness Kramer, Sammy Wilson MP, Owen Thompson MP

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Background

This inquiry also starts from the position (of the Loan Charge APPG) that tax avoidance schemes that seek to illegitimately avoid tax are wrong and that such schemes should be shut down and those promoting and operating them, pursued for mis-selling and the law changed to make them liable for tax deemed to be due if the schemes are found to be illegitimate. However ultimately the best way to stop any unacceptable tax avoidance schemes is to properly structure, remunerate and tax contracting and freelancing.

The Inquiry takes place at a time when the Treasury have announced new measures to seek to clamp down on promoters, something the Loan Charge APPG have previously and continually called for. The House of Lords Economic Affairs Committee Finance Bill Sub-Committee is scrutinising these measures, something we welcome. So the Loan Charge APPG Inquiry will not look at or discuss promoters of tax avoidance schemes aimed at contractors and freelancers, other than to make clear that one of the reasons for establishing 'best practice' for contracting and freelancing is to stop such schemes existing, as well as to propose how contracting and freelancing should (and should not) operate to ensure fairness and recognising it as a distinct way of self-employed working.

The inquiry will ask such questions as:

- *What defines and distinguishes contracting and freelancing?*
- *What models exist for structuring contracting and freelancing?*
- *How should contracting and freelancing be remunerated?*
- *How should contracting and freelancing be taxed?*
- *What best practice exists in the sector?*
- *What role do/should recruitment/employment agencies play?*
- *What role do/should umbrella companies play?*
- *What role do/should tax advisers play?*
- *What models and structures have led to/are leading to tax avoidance?*
- *How can contractors/freelancers be remunerated in a way that is fair to all parties and avoids them being involved (wittingly or unwittingly) in tax avoidance schemes?*

Structure of the Inquiry

The inquiry will consist of examining written evidence and also one oral evidence session of sector representatives, professionals, advisers and commentators.

Responding to the Call for Evidence

Formal invitations to the oral evidence session will be issued to key stakeholders as identified by the Loan Charge APPG, but any organisation or individual that wishes to present evidence and make representations should do so in written format.

The APPG welcomes submissions of evidence from professionals, organisations and individual contractors with opinions, knowledge or experience helpful to the inquiry.

To make a written submission of evidence to the Loan Charge APPG, please ensure that:

- Your submission is no more than 2,500 words in length
- You state clearly who the submission is from, i.e. whether from yourself in a personal capacity or sent on behalf of an organisation
- You include a brief description of yourself/your organisation
- You state clearly if you wish for your submission to be confidential (and your name withheld). If this is not indicated, the APPG will assume your submission can be published in full and reserves the right to reference the content of your submission in future reports and publications. Requests to withhold names will be respected, with information used in the final report and attributed without name.
- You email your submission in Microsoft Word or pdf format to contact@loanchargeappg.co.uk
- You submit your response by 6pm on **Friday 18th December**.

Report and Follow up

The APPG Inquiry report will be published in January 2021. This will include recommendations which will be sent to Treasury Minister and all APPG members.

Loan Charge APPG
1st December 2020