



Contractors watch out!

It was reported in the press earlier this month that ministers are looking at severely tightening the rules on personal service companies before the Chancellor's autumn statement on 25 November.

The use of personal service companies by individuals to provide their services to end user companies/bodies is a popular way of avoiding being classed as an employee and thereby paying income tax and employee national insurance contributions, and is particularly popular in the media, IT and nursing. It is estimated that this practice costs the government about £400m in lost revenues.

The government is reportedly looking at a proposal that a consultant using a personal service company would be obliged to move onto the end user's payroll if they work for a business for more than a month. Businesses, rather than the individual, would be responsible for overseeing the rules.

If this proposal is implemented, it will likely greatly reduce the use of personal service companies so that they only remain in use for those who work for end user companies for a short period, or who work for multiple companies at the same time. We will watch this space as to whether this proposal makes it through to the autumn statement next week...