

Self-employment crackdown may lead to huge tax bill for construction industry

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The taxman is to consult this summer on bringing forward rules to tackle what it calls “false self-employment”, in a move that could land the industry with a bill for hundreds of millions of pounds.

Last week’s Budget contained the surprise announcement of a consultation on the issue, which has long been an irritation for the tax authorities.

HM Revenue & Customs believes many site workers are registered as self-employed when they should be employees, saving both the contractor and the worker thousands of pounds in national insurance contributions.

HMRC said it was looking to find a “long-term solution”, a spokesman telling Construction News that it intended to consult “before the Autumn”. The consultation will be on principles rather than on draft legislation.

HMRC wrote to 45,000 “sub-contractors” when it looked at the issue in 2004, who it believed should have been employees. If all were still affected, it is thought the bill for both contractors and workers could run into the hundreds of millions.

A note in the Treasury Budget documents said: “The Government remains committed to addressing false self-employment in the construction industry.

“The Government will consult with a view to future legislation to ensure that construction workers and those they work for are taxed appropriately.”

Anne Redston, a tax expert who was involved in the last consultation on the issue, said: “It seems that in view of the fact we are severely short of money, the Government is looking to see what’s on the back burner [that they can bring forward].”

Alistair Gibson, the leader of Ernst & Young’s Construction Industry Scheme team, said: “I would rather we saw the revenue enable the industry to get over its current problems than look to impose yet more rules.”

He added that, since one of the CIS’s main aims was to sort out employment issues, perhaps “this is an indication the scheme has failed.”

The Government insisted it would work with the construction industry to ensure any legislation was effectively targeted and allowed the industry to retain a flexible labour supply.

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