

Name of the group

The name of the group will be the Employment Status Consultative Committee (ESCC).

Background

At present, employment status for tax is difficult to determine in the UK, and many disputes arise from this between individuals, businesses and HMRC, necessitating recourse to the Tax Tribunal. The time taken to resolve disputes is expensive and lengthy (and can take up to a decade). The current regime creates uncertainty for taxpayers and employers, is extremely costly and complex, and acts as a barrier to economic growth, this issue needs to be mitigated as far as possible.

The July 2022 government [response](#) to the 2018 employment status consultation suggested a willingness to explore potential solutions as part of post-pandemic build back.

Purpose and responsibilities

The ESCC will focus on the question of how the wider concept of employment status for tax purposes (including intermediaries' legislation and "IR35") is determined in the UK and how it interacts with employment status for employment law purposes in the UK.

The ESCC's purpose is to bring experts together with the aim of finding a solution that is capable of being practically implemented by both government and employers and is universally acceptable, even if this means abandoning the current methodology for determining employment status and constructing a new methodology. It is vital that UK taxpayers and employers can determine employment status quickly and effectively.

The ultimate aim is to achieve proposed workable alternatives which expedite certainty for employers and individuals, and which can be progressed into a wider HMRC/HMT consultation covering employment status for tax purposes which may then result in changes to legislation.

Duration of the ESCC

The expected duration of the existence of the ESCC is not determined. It is presumed that the meetings will end when a workable solution is found.

Chairmanship/membership

The ESCC will comprise senior level employment taxes experts from various organisations and representative bodies across the UK. HMRC and some others will be invited to participate in the meetings as observers. The ESCC will remain apolitical and neutral to avoid bias.

The ESCC will be chaired by Justine Riccomini of ICAS, and chairmanship of the group will change as required from time to time.

Brief minutes will also be taken by the chair and made available on request. Individual members will agree in which capacity they are members. It is expected that members will attend in their representative body capacity unless otherwise stated.

Accountability

Meetings should be constructive and open. It will be made clear when items to be discussed are confidential and not for wider discussion.

Members will be expected to feed information and minutes through to their organisation for onward cascade.

Meetings

Meetings will be held as a minimum once every 2 months as necessary and will not last longer than 2 hours. Meetings will be held virtually, unless otherwise agreed.

The ESCC can invite others to come and speak at the meetings and present ideas, suggestions and illustrative examples.

Action points will be recorded by the Chair, and representatives will be advised of progress by email between meetings.

Outputs

Where outputs take the form of reports or letters to HMRC or government officials, the ESCC members will agree them collectively as well as obtaining appropriate external approval from the representative bodies, recognising that not all representative bodies will be bound to be a signatory to any letter or report.

Review

The ESCC will be reviewed and evaluated every 12 months, and the terms of reference refreshed as required.

Members

Representatives from the following bodies will attend as members (in alphabetical order): ABAB, ACCA, ATT, CIOT, CIPP, ETIF, FCSA, ICAEW, ICAS, IPSE, LITRG.

Observers

Representatives of the following bodies will attend as observers:

CBI

These terms of reference were agreed by ESCC in July 2024.

James Murray MP
Exchequer Secretary to the Treasury
HM Treasury
1 Horse Guards Road
London SW1A 2HQ
By email: XST@hmtreasury.gov.uk

14 August 2024

Dear Minister,

Employment status for tax: Meeting with the Employment Status Consultative Committee (ESCC)

Congratulations on your election success and your recent appointment as Exchequer Secretary to the Treasury.

As you may be aware, employment status for tax is difficult to determine in the UK. Many disputes arise from this between employers, individuals and HMRC, necessitating recourse to the Tax Tribunal and often the Courts. The time taken to resolve disputes can be stressful, expensive and, in some cases, take up to a decade. The current system creates uncertainty for taxpayers and employers, is extremely costly and complex, and acts as a barrier to economic activity and growth. We believe that this issue needs to be resolved urgently, and we are keen to meet you and your policy officials to look for solutions.

A number of professional and representative bodies have recently formed the Employment Status Consultative Committee (ESCC) on which experienced employment tax experts from across those bodies are represented. I attach the Terms of Reference of the group for your information.

In the context of [planned changes](#) to employment rights law, this group is keen to meet you to discuss how we can reform and simplify employment status for tax. The group and the professional bodies we represent want to find solutions which work for all stakeholders including HMRC and HM Treasury. We would like to set out how this important issue affects individuals and businesses, tax advisers and the judiciary, and consider some possible solutions. The previous UK government made some commitments in its [response](#) of 26 July 2022 to its 2018 employment status consultation to work with stakeholders to address the problem. However, at that time, recovering from the pandemic took priority.

p.29 *“The Government recognises that, whilst the Employment Status framework for rights works for the majority, boundaries between the different statuses can be unclear for some individuals and employers. However, the benefits of creating a new framework for employment status are currently outweighed by the risk associated with legislative reform. Whilst such reform could help bring clarity in the long term, it might create cost and uncertainty for businesses in the short term, at a time where they are focusing on recovering from the pandemic.”*

p.30-31 *“Government has decided that now is not the right time to bring forward proposals for alignment between the two frameworks. We will, however, work closely with stakeholders to explore longer-term options to improve the employment status system for tax to ensure it is as clear as possible and usable for all parties.”*

and

“We remain committed to monitoring changes and working with stakeholders to ensure that the employment status frameworks remain fit for purpose and uphold their policy intent. This includes ensuring the tax system is fairer and fit for modern ways of work...”

The Administrative Burdens Advisory Board (ABAB) has also highlighted significant administrative burdens in determining employment status in its 2023 annual report. You can find this here: [Administrative Burdens Advisory Board \(ABAB\) 2023 annual report: Better tax for better business - GOV.UK \(www.gov.uk\)](#).

[Tell ABAB report 2022 to 2023 - GOV.UK \(www.gov.uk\)](#)

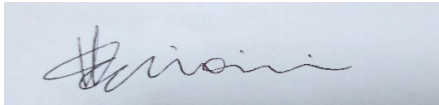
ICAEW's Business Confidence Monitor has found that regulatory requirements are the biggest challenge to business performance, with 43% of respondents citing it as an increasing concern in Q2 2024, the highest proportion since Q2 2020. We think it is essential that the new government's approach to regulation starts from taking a proportionate and fair view of how regulation can work for business as well as the Treasury.

An onerous regulatory burden imposes significant costs on businesses and limits economic activity by weakening innovation and stifling productivity, yet fair, proportionate and meaningful regulation is good for confidence and therefore good for growth.

We hope that the new Government take this opportunity to work with the ESCC to formulate a dynamic, future-fit solution. It is essential that we can remove barriers to business growth. We hope that together we can find a solution which reduces the considerable financial and administrative burdens which employers and businesses face in having to navigate the vagaries of the current definition of employment status for tax.

I look forward to hearing from you, and to meeting you as soon as possible to discuss this incredibly important issue.

Yours sincerely,

A rectangular box containing a handwritten signature in dark ink. The signature is cursive and appears to read 'J Riccomini'.

**Justine Riccomini MSc FFTA AIPA Chartered MCIPD ChFCIPP
ESCC Chair**