



simplification of tax reporting



summary

Currently in the UK, self-employed individuals, including contractors receiving dividends from their limited company's, are responsible for ensuring their income tax return is submitted each year. The Office of Tax Simplification (OTS) have identified that although this method has worked for many individuals until now, some workers may benefit from having the option to report and make tax payments periodically, or as and when an assignment or project has been completed.

OTS have released a note committing to a full review of the existing and potential new developments and approaches which could make the tax return process simpler.

The work will be carried out this summer with a plan to publish a paper in Autumn with their findings, we expect this to be followed up by a more extensive review.

In the contingent workforce market this review will affect contractors who operate through their own limited company and workers who provide their services via platforms. It is estimated that over 50% of the UK workforce will be non-permanent in the next 5 years, therefore, this review has far reaching consequences. The government wants to ensure it collects tax in a timely manner whilst making it easier for the self-employed to administer.

background

There are two reports by OTS that are relevant to the background of this work. The first is a report published in July 2018 where they spoke to workers who are engaged through digital platforms and the suppliers of those platforms. The consensus was that both parties would benefit from a system that resembles a PAYE platform (to report and pay tax) whilst workers remain self-employed.

The second report, published in January 2019, explored the potential for applying new technology when engaging with the public to deliver efficiency and cost savings and enhance HMRC's current personal tax account to deliver better, targeted guidance and information.

scope of work

OTS will include a full of review of the existing tax reporting and payment processes for self-employed people. The objective is to identify how these processes can be simplified using technology to provide a more practical and convenient way for all parties. Landlords who receive rent payments on a residential property will also be considered.

With self-employment increasing in popularity and given that everyone works in diverse ways, it's likely that there will be more than one approach to making things simpler.



considerations

Whilst carrying out this work, OTS have said they'll be sure to consider the role and contribution of taxation agents, the government's response to Matthew Taylors review of the Modern Working Practices as well as HMRC's existing plans for improving the experience of tax for self – employed people.

conclusion

With the IR35 Off-payroll working rules roll out into the private sector planned for April 2020, there is a lot of focus on self – employed workers and how tax is reported and paid. OTS will review the current processes and see what improvements can be made including real time tax payments and reporting and introducing technology which will help manage and simplify the process as a whole.



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