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Date: 27 April 2021  
Our ref: FOI2021/05747

Dear Mr Bolton

### Freedom of Information Act 2000 (FOIA)

Thank you for your request, which was received on 25 March, for the following information:

"We hear regularly that HMRC estimates that Offpayroll will collect additional tax (particularly in the form of NI and employment taxes). However, we have not seen any mention of the projected reduction in other taxes as a result of this legislation.

That is, a contractor currently working through a Limited company will be paying Corporation Tax (and others), and will cease to do so if they switch to working via an Umbrella company. Depending on their circumstances, they may end subsequent years with a loss, and so may be able to obtain a repayment of previous Corporation Tax paid. This all constitutes a reduction in Corporation Tax to HMRC.

Please can you detail any and all projections made by HMRC at any time, for any time period that describe the estimated reduction in Corporation Tax expected as a result of Offpayroll legislation in either the public or private sectors.

For the avoidance of doubt, this request is for predictions, projections and estimates made at any time for the future. FOI2021/05068 asks for actual changes, measured either now or in the past."

The latest recosting of the Off-Payroll Working reform in the public sector, was produced at Budget 2020 (not published), for the tax years 2017-18 to 2024-25. The recosting is the increase in net tax paid as income shifts from largely dividend/ corporation tax treatment to Pay-As-You-Earn income tax and national insurance contributions. This is shown below on a liabilities basis, and on a National Accounts Basis, as follows.

#### **Latest produced estimated change in net tax revenue, on a liabilities basis, due to the Off-Payroll Reform in the public sector (£m):**

2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
£260m	£300m	£305m	£355m	£380m	£405m	£435m	£470m

**Latest produced estimated change in net tax revenue, on a National Accounts Basis, due to the Off-Payroll Reform in the public sector (£m):**

2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
£340m	£300m	£300m	£355m	£380m	£405m	£435m	£470m

The estimated change in Corporation Tax (not published), that is factored into the above net figures, for the tax years 2017-18 to 2025-25, are as follows.

**Latest produced estimated change in Corporation Tax, on a liabilities basis, due to the Off-Payroll Reform in the public sector (£m):**

2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
-£165m	-£210m	-£210m	-£200m	-£220m	-£235m	-£250m	-£270m

**Latest produced estimated change in Corporation Tax, on a National Accounts Basis, due to the Off-Payroll Reform in the public sector (£m):**

2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
-£145m	-£205m	-£205m	-£210m	-£225m	-£240m	-£260m	-£275m

Estimates of the change in Exchequer revenues, published at Budget 2021 in the Tax Impact and Information Note on off-payroll working rules, are reported on a tax liabilities basis, that is, the tax year in which the liability accrues. However, recostings are reported on a National Accounts Basis; this is in line with the way in which the Office for National Statistics (ONS) report the public sector finances. Different taxes are reported in different ways; for example, the reduction in Corporation Tax is reported earlier in time compared to liabilities. This means that annual tax liabilities estimates differ to annual National Accounts Basis estimates; however, when comparing over a longer time period the two reporting methods show similar estimates.

The latest recosting of the extension of the Off-Payroll Working reform to the private and voluntary sectors, was published at Budget 2021, in Table 2.2, for the tax years 2020-21 to 2025-26. The recosting is the increase in net tax paid as income shifts from largely dividend/corporation tax treatment to Pay-As-You-Earn income tax and national insurance contributions. This is on a National Accounts Basis. [Budget 2021: documents - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/budget-2021). The recosting on a liabilities basis (not published) is also shown below.

**Latest estimated change in net tax revenue, on a liabilities basis, due to the extension of the Off-Payroll Reform to the private sector (£m):**

2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
£115m	£680m	£635m	£660m	£735m	£815m

**Latest estimated change in net tax revenue, on a National Accounts Basis, due to the extension of the Off-Payroll Reform to the private sector (£m):**

2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
£30m	£1020m	£590m	£650m	£725m	£805m

The estimated change in Corporation Tax (not published), that is factored into the above net figures, for the tax years 2019-20 to 2025-26 are as follows.

**Latest estimated change in Corporation Tax, on a liabilities basis, due to the extension of the Off-Payroll Reform to the private sector (£m):**

2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
-£130m	-£785m	-£780m	-£805m	-£875m	-£950m

**Latest estimated change in Corporation Tax, on a National Accounts Basis, due to the extension of the Off-Payroll Reform to the private sector (£m):**

2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
-£45m	-£245m	-£635m	-£790m	-£835m	-£905m	-£980m

Please note that Budget recostings do not include interactions with new policies being announced at that time, and these interactions are not included here. They are captured separately in the costings of the new policies being announced. This is the standard practice for recostings, and ensures that the impact of new policy is not counted twice.

This means that the interaction between the Corporation Tax rate change announced at Budget 2021, and the extension of the Off-Payroll Reform to the private sector, is not included in the recostings shown above. This interaction is captured in the costing for the Corporation Tax rate increase to 25% from April 2023. This costing is based on an estimate of UK company profits taken from the OBR's Onshore Corporation Tax forecast, and therefore includes the impact of the Off Payroll reform on the amount of corporate profits that will be taxed at the new, higher rates. Similarly, the interaction between maintaining the Corporation Tax at 19%, announced at Budget 2020, and the Off-Payroll Reform in the public sector, is not included in the recostings shown here for the Off-Payroll Reform in the public sector. This interaction was captured in the costing for maintaining the Corporation Tax rate at 19%.

If you are not satisfied with this reply you may request a review within two months by emailing [foi.review@hmrc.gov.uk](mailto:foi.review@hmrc.gov.uk), or by writing to the address at the top right-hand side of this letter.

If you are not content with the outcome of an internal review you can [complain to the Information Commissioner's Office](#).

Yours sincerely,

HM Revenue and Customs