



HOUSE OF COMMONS  
LONDON SW1A 0AA

December 2017

*Dear Constituent,*

Thank you for contacting me about personal service companies and the public sector.

I am pleased that a new duty has been introduced on public sector organisations to ensure that everyone who works for them through their own limited company, called Personal Service Companies (PSC), pays the correct amount of tax.

Existing rules were designed to ensure that those undertaking similar work to an employee are taxed in a similar way. However, the Government had been aware for some time that some public sector workers continued to contract with public sector organisations through a PSC in order to take advantage of more favourable tax rates than if they were employed on the normal payroll. While this may be appropriate for some legitimate freelance workers, I support the Government's view that it is not right or fair that some workers use this method when they do the same work as someone on the regular payroll.

Despite previous Government efforts to tighten the rules, non-compliance costs the taxpayer hundreds of millions of pounds every year. I support the Government's changes to simplify the existing anti-avoidance rules to create a new duty on public sector organisations who employ workers in this way to ensure they pay the right amount of tax. This strengthens the role of the public sector in ensuring employees pay the correct tax while ensuring that legitimate freelance workers can continue to charge for their services under the correct rules.

It is important to note that the reform does not introduce a new tax liability, nor should it affect the genuinely self-employed. The change simply ensures that the rules are applied as intended.

Thank you again for taking the time to contact me.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Chris'.

**CHRIS HEATON-HARRIS MP**  
**MEMBER OF PARLIAMENT FOR DAVENTRY**