



Tax relief for travel expenses: temporary workers and over-arching contracts

Marking the beginning of another phase in the Government's review of the Agency sector, a new consultation entitled 'tax relief for travel expenses: temporary workers and over-arching contracts' has been issued.

It is widely believed that the principle reason behind this new consultation is to eradicate the ability of Agency workers to claim tax relief against their travel expenses, whilst operating through an Umbrella Company or Agency; using an over-arching employment contract.

The principle of claiming tax relief against travel expenses has said to have been abused by both Agencies and Umbrella Companies with the consequence that the Exchequer has lost money. This of course brings us back to the compliancy debate regarding the fact that there is still much confusion among Agencies and non-compliant Umbrella's in relation to the MSC Legislation, of which Crystal Umbrella has previously voiced concerns.

Implications

This new consultation comes at a time when there is much uncertainty within the Agency sector following the announcements in May concerning the extension of rights to Agency workers. Umbrella Companies offer Agencies a significant advantage provided that they are operated compliantly. It would seem that the Government expects the non compliant activities of some Umbrellas to continue to affect the market – hence the need to further regulate. (See *Crystal Clear Facts, Fact Sheet 12 - Understanding Law at Work* for further information).

The Government have, however, indicated that there is a need to balance any restrictions of the relief due to the fact that its removal could very well damage the flexibility of the workforce.

The consultation will also consider whether there are other unfair advantages arising from the use of over-arching employment contracts in the Agency sector.

What next?

Crystal Umbrella welcomes any attempt to ensure compliancy throughout the Umbrella and Agency market place and that following on from the AEMC's initial meeting with HMRC and Treasury we fully expect to be able to assist with the consultation process either as Crystal or as board members of the AEMC.

Responses to the consultation are due by the 13th October 2008, and in that time this issue should be addressed carefully within the context of other Government measures that are already in place such as the MSC Legislation and the proposed Agency Workers Directive.

It must be noted that this is only consultation and not proposed legislation. Crystal Umbrella will continue to keep our audience up to date with any developments in relation to this. See the news section of our website for further information at <http://www.crystalumbrella.com/news.php>

Alternatively, please contact us on **0800 848 8888** for more information.