The gig economy

Employment Tax | Personal tax

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LITRG were recently invited to a private seminar held by the Royal Society for the encouragement of Arts, Manufactures and Commerce (the RSA) to debate the issue of employment status for those that work in the gig economy.

The idea behind the gig economy is simple: our resources can be better used if we share them. Unlike the sharing economy however, you do not necessarily need an asset to be part of it – you just need time and the appropriate app. Those in the gig economy include cleaners for Hassle, errand-runners for TaskRabbit and drivers for Uber. They all tend to be treated as freelancers by the platforms and are paid on a piece work basis.

There are complexities around the gig economy. Some believe it creates opportunities for individuals who might otherwise struggle to find work. Others point to vulnerability of some of those concerned and say that behind the innovative technology and new language of ‘tasks’ and ‘rides’ etc., an old problem lies – the workers are not genuinely self-employed – they being forced down this route by businesses looking to minimise their costs and obligations.

Yet the gig economy is growing fast. The think tank the RSA are currently researching the gig economy to better understand the landscape and help clarify the trend including the legal issue of if or how gig workers should be reclassified. Along with lawyers, academics and other tax experts, LITRG were invited to RSA house to debate how policymakers should take the matter forward.

Questions posed for the group included whether we need to amend our current categories of worker (employee, self-employed, and worker under a directive); how the activities of new gig economy platforms are different to the intermediaries and agents in the traditional staffing supply chain; how workers can practically enforce workplace protections and whether there was a role for third parties, such as umbrella companies, to provide support to workers.

While much of the discussion at the RSA event was around employment law, from a tax perspective the gig economy also presents challenges. At the heart of the matter is whether the freelancers are truly self-employed for tax purposes. (While HMRC's ears will no doubt have pricked at the recent employment tribunal decision that Uber drivers were 'workers' and not self-employed, it is worth noting that the judgment is fact specific and even if we assume it survives the likely appeals, a 'worker' ruling would not automatically impact their tax status because tax law only distinguishes between the employed and self-employed.)

Further questions then flow from this: If the gig economy workers are self-employed for tax purposes, does more need to be done to help them to understand the system? If they are not self-employed, then in the era of PAYE avoidance, would they really be any better off being payrolled? What are the knock on effect on tax credits/Universal Credit of a change in tax status? Do we need to find another way of dealing with those in non-standard roles altogether?

Aiming to shine a light onto the gig economy – and hopefully coming up with some recommendations around these issues – is the RSA's CEO Matthew Taylor who has been asked to chair an independent review into 'non-standard work arrangements'. Separately, the Business, Energy and Industrial Strategy Select Committee has set up an inquiry to look at the 'future of work and rights of workers'. The deadline for written submissions to the latter was 19 December and LITRG submitted a response outlining our thoughts to some of the questions raised here.