

ATT calls for employment status reform in Budget representation

Employment Tax

Personal tax

November 2026



23 October 2026

In view of the current framework based on tax legislation, case law and ad-hoc reforms, the ATT has called for a clear statutory framework to make it easier to distinguish between employment and self-employment.

In recognition of the growing complexity and uncertainty surrounding whether a working arrangement should be treated as employment or self-employment, the ATT submitted a [Budget representation](#) calling on the government to consult with stakeholders on a single common statutory framework for employment status in the UK. With several changes to employment rights under the Employment Rights Act 2025, the potential consequences for businesses of getting employment status wrong are more important than ever, and the ATT representation noted the impact that this could have on discouraging entrepreneurship and restricting opportunities for economic growth.

The need to simplify employment status is not new. As the ATT representation noted, [the Taylor review of modern working practices](#) identified the importance of applying similar treatment for tax and employment rights purposes back in 2017. But inaction by successive UK governments has caused continuing uncertainty both for workers and for the businesses that engage them.

Limitations of the current position

The ATT representation drew attention to the practical challenges of the current framework for employment status, which has created inconsistencies in the treatment of the same circumstances for different purposes. Different tests apply for the purposes of income tax and National Insurance contributions, National Living Wage and National Minimum Wage compliance, and employment rights legislation. This can result in some individuals being treated as employees for one purpose but as self-employed for another.

The ATT also noted that there can be broader impacts of employment status, including the requirement for an employer to pay the Apprenticeship Levy and comply with pensions auto-enrolment requirements.

In addition to different tests, the ATT highlighted that there are different levels of compliance and enforcement, with HMRC and tax tribunals enforcing some aspects, while employment tribunals and the Fair Work Agency enforce others.

Proposal for a new statutory framework

To help provide certainty for both the individuals carrying out the work and the businesses engaging them, the ATT recommended that consideration be given to a common statutory framework for employment status similar to the statutory residence test. The proposed framework should be consistent for tax and employment rights purposes.

Alongside a common statutory framework, the ATT called on the government to explore whether decisions made in employment tribunals should apply for tax purposes, and vice versa.

The ATT noted feedback about the shortcomings of the HMRC's Check Employment Status for Tax (CEST) tool, and the impact that ambiguity in some questions can have on confidence in CEST outcomes. If the government were to proceed with a common statutory framework, the ATT suggested an accompanying overhaul of CEST, replacing it with a new test that would provide an indicative assessment of employment status beyond its current tax purposes.

Chris Campbell

ccampbell@att.org.uk