

Contractors choose contracting for more than just the tax breaks

The UK's contracting sector has now faced 20 years of being in the spotlight of both [HMRC](#) and [HM Treasury](#). But despite the sector's growth and astounding contribution to UK PLC, there don't seem to be any moves to ease the burden of tax legislation. Quite the opposite.

Far from seeing this strong force of flexible and highly trained contractors as the backbone of Britain's stunning economic growth over the past two decades, the 'powers that be' have not really understood the sector, viewing it with suspicion. Their implied questions seem to be: "Why can't contractors just work full time in permanent PAYE jobs like everyone else? Surely they're only contracting to avoid tax?"

Many reasons contractors go contracting

Well, that's absolutely not the case. There are many [reasons people go contracting](#). They choose their lifestyle, which can be risky and fraught at times, for more reasons than the few tax breaks it gives them. For most, the tax implications come way down their lists of priorities, which tend to be topped by things like "wanting a more flexible way of working" and "wanting to do more of the things I enjoy".

Trading through a [limited company](#) provides contractors with a range of benefits that being employed, or self employed, does not allow. And in fact, as previously highlighted by ContractorCalculator, end user clients don't want self-employed contractors – they prefer to work with an agency or limited company.

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Incorporation is not just about tax breaks

There are so many more benefits to becoming a contractor than the tax and net income advantages. Contractors outside of [IR35](#) who create a limited company can benefit from:

- o Creating a brand with their limited company that is bigger than the individual and might one day have value as an asset they can sell
- o Ring-fencing personal and business assets, particularly when working in contracting sectors where clients might sue suppliers, to be seen by their boards and shareholders as being tough on supplier management
- o Being 'the boss', so that they can work their lifestyle around the business;

Whilst contractors still have to perform and ensure service standards are high, ultimately they are their own bosses and can arrange their lives accordingly.

Why do governments not 'get it'?

It must be difficult for a civil servant, used to the world of employment, its benefits and restrictions, to understand the world and lifestyle of entrepreneurs like contractors.

Unlike public servants, pay at the end of the month is not guaranteed. If a contractor is sick, they don't get paid. If a contractor chooses to take a [holiday](#) they don't get paid. And contractors do not enjoy the benefits of a civil service pension or other 'perks' like health insurance or cars paid for by the taxpayer.

Contractors take a business risk and it is appropriate for them to get rewarded accordingly. Without the flexibility and entrepreneurial approach so many contractors, across many sectors, have taken, UK PLC would not have benefited from so many years of a strong economy and become the world leader in sectors such as finance and engineering.

Not 'employees'

Despite the attempts of HMRC to pigeonhole them as employees, contractors have no doubt about their status in the areas in which they work. They are clearly not employees and so should not be subject to the tax regimes normally applied to employees who do not have to face the business risks of contractors.

With a swathe of legislation over the past 20 years, HMRC, and what was previously the Inland Revenue, has made life for the average contractor one of constant concern.

Even if a contractor has no intention of being an employee, and the client has no intention of employing the contractor, this can sometimes make no difference to determined tax investigators – if they decide a contractor is an employee, then they are and they have to pay taxes. Mysteriously, though, there is [no provision for those contractors to employment rights!](#)

Yet another revenue generation project by the Treasury

The [latest attempt](#) to extract more tax pounds from the contracting sector is the Treasury's current consultation over whether contractors should benefit from travel expenses when working for clients through an [umbrella company](#). The contracting sector is [coming together to take action](#) to try and mitigate the negative impact on contractor's incomes that may come from such moves.

Without the self employed, professional freelance and contracting sectors, there is no doubt that UK PLC would not have the highly skilled and flexible workforce that has made the UK a global leader in so many sectors.

Contractors should be recognised by HMRC and HM Treasury for their contribution, and their status as 'non-employees' should be recognised and enshrined in law. Continuing assaults on the pockets of contractors can only harm UK PLC, and ultimately lead to drastic falls in tax revenues.

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