

Contractor expenses could become the next major issue

Abuse of [contractor expenses](#) is likely to become the next major issue for the Revenue. A number of industry observers agree that there is considerable likelihood of a kind of 'offensive' on the Revenue's part in this area.

Says John Kell, policy spokesman for the London-based trade organisation [Professional Contractors Group](#): "There have been indications from the Revenue that this is an area they are likely to devote special concern to in the near future."

During the period of the Labour Government, the Treasury and the Revenue have undertaken two wholesale attacks against the contracting industry: [IR35](#) and [managed service company legislation](#). Each time a small wrong has been blasted to bits with a huge legal cannon, and each time there has been extensive collateral damage. Should the Treasury and the Revenue seek to target contractor expenses as well, then the likelihood of further damage to this burgeoning industry is considerable.

Says Theresa Villiers, Conservative MP for Chipping Barnet: "Each time these campaigns are launched, there is a good reason to justify them. Managed service companies were subject to abuse, and no one in the industry will deny that. But the effect on agencies, advisors, and contractors themselves went way beyond what was needed to effect the changes the Government sought. What we had, in effect, was a terrible shake-up for the contracting industry."

So it is possible that an attack on contractor expenses will also go much wider of the mark than intended? Whether or not that will be the case, the best protection is to make sure that you are compliant before the attack starts.

“ Contractor expenses could become a major issue ”

John Kell - PCG

Follow the Rules for Expenses

If you have incurred expenses, keep the receipts. That is the simplest way of handling your expenses whether you work via an [umbrella company](#) or if you have your own [limited company](#). Limited companies have absolutely no alternative to documenting expenses.

Interestingly, a similar move is afoot in the US, where much greater scrutiny of expense reporting has been instituted by the tax authorities. Expense reporting there has been linked to the nature of business activities: if you are a roof tiler, you're not likely to need a media centre computer to help with your business. Of course, a roof tiler with media and marketing activities might well need one, but the tiler is going to have to go into great detail to explain why the special computer is needed.

Don't put in for expenses you haven't incurred. Learn the rules regarding [allowable expenses](#), and don't assume that you can use receipts from your vacation or that you can call the trip to the South of France a business trip if it wasn't.

“ These initiatives tend to go wide of the mark ”

Theresa Villiers - Conservative MP

Of course, you will say, contractors aren't the only ones who abuse expense deductions. No one doubts that expense deduction abuse is rife from executives to cleaning ladies. The Revenue has every right to police it; that is the Revenue's job. The problem is that the Treasury and the Revenue perceive contractors as a special interest group that requires special controls. There is something suspicious about contractors.

Until the Government begins to perceive that contractors are just like everybody else, it is best to be very careful about compliance in all areas.

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