

Contractors' group slams government with call for tax revamp

An independent review of the UK's treatment of freelancers, contractors and the small businesses they run is urgently needed, according to a [new position paper](#) from the Professional Contractors Group's (PCG).

The PCG's managing director, John Brazier, said: "Our paper represents a significant contribution to the debate around taxation in the UK. In it, we identify where the problems are, and some of the solutions; but what we really want to see is an independent review deciding the exact shape of new reforms in a genuinely consultative manner."

Out of touch

According to the paper, one of the problems is that the government is woefully out of touch with its highly skilled flexible workforce: "95% of freelancers [and contractors] say that they feel the government does not recognise freelancing [and contracting] as a valid business model."

This is not a great track record for a government that has historically prided itself on its efforts to promote flexible working and on encouraging small businesses to flourish.

Immediate reforms

The paper calls for simplification of the tax system, with four major reforms to be implemented immediately:

- o Employment status should be defined in statute
- o S44-7 ITEPA 2003 should be repealed
- o [IR35](#) should be repealed
- o The Family Business Tax ("[income shifting](#)") plans should be completely dropped.

The PCG warns government that any enforcement system can only survive as long as its participants are willing, so the current tax system can only survive as long as taxpayers willingly participate. As the PCG asks, with high levels of dissatisfaction among taxpayers, particularly those in the contracting community, how long will it be before the system crumbles?

Anti-avoidance

Further criticism of the burgeoning tax rules highlights the fact that "roughly 40% of our tax code is now taken up by anti-avoidance provisions." The PCG argues that if the government disagrees with lawful tax mitigation, they should pass legislation and outlaw it through the proper parliamentary channels and not by using HMRC as a blunt instrument.

In adding to the case for major tax reform and its increasing administrative burden, the paper states, "the Treasury and HMRC have a track record of taking policy decisions without any evidential basis."

On the range of stealth taxes buried in the complexities of the tax system, the paper comments, "If the government wishes to set high taxes, it must make a clear and honest political case for this."

HMRC criticised

HMRC comes under scathing attack by the PCG: "The UK's tax system must be administered by a fair, competent and efficient tax authority. The best way to achieve this would probably be to disband HMRC and start again from scratch."

A sentiment echoed no doubt by many contractors, but sadly, as the report admits, an unlikely short-term possibility. Both HMRC and the Treasury are accused of having "long standing difficulties in conceptualising behaviours which they would rather did not take place."

Most importantly, the PCG has set down in its position paper a range of genuine grievances suffered by not just the contracting and freelance communities specifically, but micro and small businesses generally.

Brazier added: "It is obvious to everyone that the tax system cannot carry on as it is. At PCG we are committed to helping with solving the current problems, and this paper offers a road map for doing so."

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Whether the government takes any action, beyond another set of pre-budget announcements and a finance bill with no concessions to these genuine concerns, remains to be seen.

Law commission correction

ContractorCalculator recently reported that HMRC was "Also recently under fire from a Law Commission report on public sector services". The Editor acknowledges that this statement is misleading and the Law Commission has not criticised HMRC in its report Administrative Redress: Public Bodies and the Citizen."

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