

## Contractors vote ‘no confidence’ in government support for the sector

Contractors have sent a strong message to government about its lack of support for the professional freelance sector. The results of this year’s Professional Contractors Group ([PCG](#)) member survey clearly show widespread dissatisfaction with both the government and its taxation policies.

High on the agenda for contractors are concerns about future tax legislation and a lack of confidence in the economy, as contractors forecast falling turnovers and profits.

According to PCG managing director John Brazier: “These results show a significant drop in freelancers’ confidence about the economic outlook. If it is as serious about assisting small businesses as it claims to be, the Government must act now by abolishing [IR35](#) and giving a firm commitment not to press ahead with its disastrous plans for a Family Business Tax” [Ed: See [income shifting legislation](#)]

### Why go contracting?

The results of the survey also dispel the common myth held by the Labour government that contractors choose to work the way they do in order to avoid paying more tax.

An overwhelming 72.5% of contractors did not see the tax advantages as behinds their choice to go contracting, with commercial necessity, commercial preference and limited liability being the main motivators.

Of those members surveyed, 96.1% use [limited companies](#) as their choice of trading vehicles, with only the remaining small percentage of contractors choosing self-employment, partnerships or [umbrella companies](#) as an option.

“ These results show a significant drop in freelancers’ confidence about the economic outlook ”

John Brazier, Managing Director, PCG

### Major concerns

The largest area of concern for contractors remains IR35, with 40.1% saying the tax laws are the biggest single problem for their business and, according to the report, IR35 “remains a poster-boy for bad law.”

Interestingly, despite the PCG’s success with the [Arctic case in 2007](#), the next biggest problem contractors’ face is the family business tax, or [income shifting legislation](#).

When asked whether they feel freelancing as a legitimate business model is recognised by the government, 84.5% said no, whereas four in five contractors feel that agencies and clients embrace contracting as working for them.

However, the report highlights that in last year’s survey 95% of contractors felt the government did not recognise freelancing, saying: “It seems that the government must have done something to redeem itself in the eyes of a handful of PCG members – though we are at a loss to work out what it is!”

Despite this drop, there is such a stark contrast between the views of agencies and clients and government that the root of the issue lies with government policies on contracting.

### Scrap IR35 and the Family Business Tax and stimulate the economy

With what the PCG sees as the punitive taxation regime imposed by the government clearly the major concern of contractors, the PCG suggests that repealing IR35 and indefinitely shelving income shifting proposals can only help the economy.

“To get the economy back on track and preserve our flexible labour market,” continues Brazier, “the Chancellor must use his Pre-Budget Report to announce that IR35 and the Family Business Tax are to be scrapped.”

With the Pre-Budget Report imminent, contractors will be waiting to hear what the [Treasury](#), and [HMRC](#), has in store for them next year.

### Treasury consultation on umbrella travel expenses

Although less than one per cent of PCG members work through umbrella companies, the survey also highlights how much contractors depend on being able to claim tax relief on the cost of travel to clients for the success of their business.

Many contractors travel long distances to work and over 30% regularly travel by car to stay away from home at a place local to their client’s location. An astonishing 18.9% fly to stay near their client’s site.

This suggests that, if the transport patterns are mirrored by contractors working through umbrella companies, they will be particularly hard hit by the removal of tax relief on travel and may no longer choose to work in such a way.

"Times are tough for freelancers, as for everyone," concludes Brazier, "but what these results show is that the biggest problems are the ones created by the Government."

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