

## Contractors find support for lords' critique of contractor tax

When the chairman of the House of Lords Select Committee on Economic Affairs Lord Wakeham called on the Government "to go further and to move faster" in creating a tax system that is "clear, simple and not liable to rapid change," Lord Wakeham definitely had contractors in mind.

### Fairness for Contractors

The Select Committee issued the call in its [report on the Finance Bill](#) issued last June which was severely critical of the Government's handling of contractor taxation, with particular reference to the recent legislation on [managed service companies](#).

But equally important, the Committee called on the Government to change the overall approach to contractor taxation, to create a new perspective in which self-employment would be clearly defined, and in which tax and NIS contributions would not be defined by employment status.

### Conservatives Join Call

Some prominent Conservative officials promptly supported the call from the Select Committee for fairer contractor taxation.

In an interview with ContractorCalculator, Philip Hammond, Conservative party Shadow Work and Pensions secretary and MP for Runnymede and Weybridge says: "The Lords Committee report highlights the need for a different approach to small business taxation. In the last Budget, Gordon Brown increased the tax rate on small businesses from 19% to 22%. Small business taxation is in urgent need of reform – which is why the Conservative Party is committed to lower and simpler business taxes."

Hammond is a great supporter of contracting. Hammond adds that the Conservatives aim to bring about a massive shake-up in Britain's nine-to-five employment culture, and that more flexible working practices are crucial to safeguard the country's economic progress. Hammond insists that the delivering of the UK's economic and social goals depends on a huge increase in flexibility in employment patterns.

“ Small business taxation is in urgent need of reform ”

Philip Hammond - Conservative Party Shadow WP Secretary

### FSB Joins In

The London-based [Federation for Small Business](#) also joined the call. Says FSB president John Wright: "This organisation deplores the insincere approach of HM Government by, on the one hand, emphasizing its commitment to the enterprise culture through the use of fiscal incentives and training packages, thereby encouraging people to be self-employed and yet on the other, actively pushing HMRC to pursue an increasingly aggressive policy in re-classifying self-employed contractors as employees, with all the negative consequences for small firms."

Wright continues: "The 'Budget for Business' was nothing of the sort. Brown, after many warm words about entrepreneurs and the vital role that they play hit small firms with a rise in corporation tax. Anything that Mr Brown did give back is mired in form-filling and so is not accessible to a lot of firms," Wright says." For Wright, the Government must realise that the 'tax gap' (i.e. tax not collected through either avoidance or evasion) will not be tackled by targeting the self-employed and small businesses and instead they should focus their energy on large businesses.

### Poll Shows Brown Down

Labour's attack on small business has not gone unnoticed. A poll shows that small business around the UK has reacted with extreme disfavour to the Brown Budget for 2007. Sponsored by the Uxbridge-based telecoms provider Unicom, the poll shows that 25% of those questioned predict that the UK under Brown is likely to be bad for their business, while 58% believed Brown might not make a good prime minister. Chris Earle, managing director of Unicom, points out that Brown should probably make some effort to support small business instead of constantly attacking it.

“ The Government is pushing HMRC to pursue an increasingly aggressive policy in reclassifying self employed contractors as employees ”

John Wright - FSB

Published: Wednesday, July 11, 2007

[Tweet](#)

© 2011 All rights reserved. Reproduction in whole or in part without permission is prohibited. Please see our [copyright notice](#). If you want to use any content you have seen on this site then please [request our media pack](#) and ask for details of our Content Licencing Service.



Be the first to comment on this article

#### Also of interest...

##### Related Guides:

- [10 tips for first time contractors](#)
- [Steps to Contracting](#)
- [Contractor tax: limited company and personal taxes explained](#)

##### Related Internet Links:

- [Federation For Small Business](#)



ABCe verified website - last audit confirmed **130,682 monthly unique visitors**

© Copyright 2011 Byte-Vision Limited UK. All rights reserved [Copyright notice](#)