

## David Drew: labour mps seek way forward for contractor taxation

In an interview with ContractorCalculator, [David Drew](#), Labour MP for Stroud, Gloucestershire, explains why a cross-party group of legislators tabled an early day motion about how to tax small business: 'Income shifting' and the future of small business taxation."

### Income Shifting Proposal Didn't Work

"The 'income shifting' proposal clearly didn't work in its proposed form," Drew explains. "It was another sledge hammer to crack a nut, badly focused and too difficult to implement in practice.

"Now that the Treasury has decided to defer the proposed legislation for a year, we have a chance to take a good look at small business taxation and see if we can't find a workable approach to it," Drew says.'

### A Full-Scale Review

Drew does maintain that the intent of the 'income shifting' proposal was a good one-- the proposal attacked the way small businesses divide up [dividend income](#) between partners, calling for a marketplace-based justification of the services provided by these partners.

"The use of 'income shifting' to reduce tax isn't fair," Drew insists, "but the way in which the bill tried to handle it would have created a terrible burden for small business. However our purpose is to take a new look at small business taxation, and to see if we can find a fair approach to it." Drew explains that the group will work with the House of Commons Treasury Committee to review the entire subject and try to come up with a more equitable way to do it.

### A Second Early Day Motion

Drew's Early Day Motion was followed by yet another one on the subject by Liberal Democrat MP Robert Smith, which commended the government for dropping the unworkable proposal and also called for a full-scale review of how we are taxed. Says Smith: "profits from a business do not simply represent remuneration for labour, but are a reward for taking risk."

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David Drew - Labour MP

### New Legal Entity?

One suggestion is for HM Treasury to consider providing small business with a new legal entity designed for business in the 21st Century. Drew said that this was one possibility, but that it was not the only one under consideration. "The important thing is to see that there is a difference between the way small business taxation should be handled from that of larger business. It is possible that new legal forms may be needed, but it is also possible that what is needed is simply a different way of handling small business taxation," Drew continues.

Drew's Early Day Motion calls for a proposal "that will simultaneously reduce the taxation, accounting and regulatory burdens on smaller enterprises, so freeing them to generate wealth and employment in the UK economy, whilst ensuring that they can with minimum effort comply with the taxation and other requirements imposed upon them by law in a way that minimises risk of tax avoidance, creates a level playing field in which all in the sector can compete fairly and ensures that the right person is taxed on the reward they have earned at the right time and in ways which do not create artificial and inappropriate incentives to recategorise employment as self-employment, and the reward for labour effort expended as investment income."

We all applaud this noble goal, and hope that the Treasury Committee will pursue it in earnest.

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Robert Smith - Liberal Democrat MP

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