

## Government's income shifting attack on contractors causes loss of confidence

The Government attacks on contractors, including the [income shifting proposal](#), have caused a drastic loss of confidence in it. More than 93% of small businesses registered this loss in confidence with the Government in a snap poll taken by the London-based [Federation of Small Business](#) in March.

### Overwhelming Majority Have Lost Confidence

Federation of Small Business national chairman John Wright cited the Treasury's income shifting proposal, which attacks the way family companies share income, as one of the causes of this loss of confidence.

John Wright, FSB national chairman, said: "Changes to income shifting rules will force family business owners to create and maintain an unrealistic amount of paperwork on individuals' contributions to their business. It totally contradicts promises the Government has made about reducing red tape."

The FSB received a total of 2657 responses to an online questionnaire about small businesses' view of the Government's performance since the last Budget. 2503 small business owners said their confidence in the Government had decreased since the last Budget. 154 said it had increased or remained the same.

Ahead of the Budget on Wednesday March 12, the FSB, which is the UK's biggest business organisation is calling for the Government not to go ahead with an attack on family-run businesses' tax arrangements and a planned 2p per litre rise in fuel duty.

### Part of a Series of Attacks

Wright sees the income shifting proposal as part of a series of attacks. "A series of damaging tax rises and increases in red tape in the last year have totally undermined the Government's position with the UK's 4.5 million-strong small business community.

"The fiasco over capital gains tax rules and the increases in corporation tax for small companies have also undermined the Government's credibility. The Chancellor should use this Budget to mend some bridges."

### Talk of Dropping "Income Shifting"

There have been rumours, according to a spokesman for the London-based [Chartered Institute of Taxation](#), an independent agency which advises the Government on tax issues, that the "income shifting" proposal might be dropped from the Budget. But there has been no confirmation of any kind of this rumour, and most observers expect the proposal to figure in the Budget exactly as it was laid out in the draft proposal for consultation.

Participants in the consultations have said that the Government has turned a deaf ear to any alternative proposals or demands for clarification. This is spite of the fact that all tax organisations, including the CIOT, have insisted that the proposal is unworkable.

### And Frankly... "Daft"

One expert recently referred to the the proposed legislation as "daft." Another said that it displayed "a complete lack of knowledge of accounting law." Another wrote that this was a "deliberate effort to be unclear."

In fact, the reaction to this proposal has been so uniformly hostile that it is actually possible that the Government will back down and drop it. But we're all looking forward to seeing the final word this Wednesday.

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John Wright-FSB

“ The fiasco over capital gains tax rules and the increases in corporation tax for small companies have also undermined the Government credibility and one would think that the Chancellor should use this Budget to mend some bridges ”

John Wright-FSB


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