

PCG calls for contractor tax simplification

The London-based [Professional Contractors Group](#) (PCG) is calling on Gordon Brown's new Government to simplify tax and employment status as a priority.

Where Do Contractors Stand?

Regulations regarding employment status have also become increasingly complex and freelancers have found it increasingly difficult to know where they stand.

Says PCG chairman David Ramsden: "Employment status should be clarified, simplified and set out in legislation; this move would provide clear benefits to all parties."

A report published earlier this year found that Britain's tax regime is the second most complex out of the 20 largest world economies. In fact, the number of pages in Tolley's Yellow Tax Handbook - the 'tax bible' used by accountants - has more than doubled since Labour came into power.

Losing Our Competitive Edge

PCG chairman David Ramsden commented, "Freelancers face growing confusion about how they engage with clients, what their employment status is and how they're taxed. The UK's freelancing model offers us a competitive edge in the global marketplace - the Prime Minister's new team must ensure that it is safeguarded for the future."

Tax Tangle

Apart from the legal tangle encasing self-employment, the Government has started building an additional web around small business tax. The Government has created an additional tax burden for small businesses, with their corporate tax rising to 22% by 2009, starting with a rise to 20% in 2007-8. This is an effort to control the creation of small companies solely for tax purposes, but, it should be noted, this rate of taxation is much higher than that of most countries in the European Union for small business.

“ It is not clear how much the Government may expect to save by limiting small business incorporations ”

David Ramsden-PCG

As PCG points out, in any case, a significant tax advantage is gained from incorporation by the absence of NICs on dividends, which these changes do not address. Tax-motivated incorporation remains a problem which PCG does not feel is especially significant: the Government should acknowledge that self-employed people can have many legitimate reasons to take on corporate form besides simple tax advantages.

Says PCG policy spokesman John Kell: "How much tax does the government earn by this move? We've no clear estimate of how much is claimed as lost in so-called tax motivated incorporations.

PCG has welcomed the reorganisation of the Department of Trade and Industry into the new Department for Business, Enterprise and Regulatory Reform (DBERR), which it hopes will provide a stronger voice and greater focus on the needs of businesses.

"We have enjoyed constructive dialogue with the Government on various issues affecting freelancing and very much hope to continue that relationship. PCG will continue to work closely with the Government to remedy the current confusion around employment and tax status," Ramsden continued.

However, PCG has repeated its disappointment that the new council of business leaders does not include representatives of freelancers or other small firms, despite the fact that these represent the vast majority of businesses in the UK.

“ It is not clear how much the Government may expect to save by limiting small business incorporations ”

John Kell-PCG

"There are hundreds of thousands of professional freelancers in the UK who make a valuable contribution to the diverse economy of this country. They are innovative, flexible hard working people who are often penalised simply because they don't fit the old fashioned notion of being either an employee or an employer," the chairman added.

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