

Service Providers Association advises Treasury on contractors' travelling expenses

Providing persuasive input into the current [Treasury consultation on contractors' travelling expenses](#) is the first major target of the newly formed Service Providers Association (SPA).

The consultation is focusing on [travel expenses for contractors](#) who work under overarching contracts and, as such, applies to contractors who use [umbrella companies](#) and claim their travel expenses to clients' sites as being tax deductible.

According to Barry Roback, chief executive of industry supplier [JSA](#) and a member of SPA, the association has been working hard since its inception in February 2008 to prepare a robust case to the Treasury, and this has included several meetings with key Treasury personnel.

Dual campaign

"Our response to the Treasury's consultation for contractors' travel expenses is on two platforms," he explains. "Firstly, we have been working closely with Ernst and Young to prepare a detailed written response, which includes a significant amount of market data, calculations and information supplied by SPA's members.

"Secondly, SPA is about to embark on a sustained campaign of lobbying key decision makers from all parties to ensure our message is effectively communicated and contractors' interests are well represented."

Roback anticipates the written response to be submitted this week, well in advance of the 13th October deadline imposed by the Treasury and following weeks of close consultation with Treasury officials.

Education and information

The concern from many commentators within the contracting community is that the government in general, and the Treasury and HMRC specifically, do not understand the contracting sector.

"The temporary labour market tends to be treated by government as one homogenous group," continues Roback, "whereas it quite clearly has a range of disparate elements, from low paid and vulnerable agency workers to highly skilled and highly paid contractors."

SPA's submission to the Treasury and a central theme of its lobbying campaign will be to educate all parties about the contracting market and how it differs from the commonly held perceptions of low paid, low skill temps.

Unintended consequences

Past initiatives by the Treasury aimed at small constituencies abusing the system have had unintended consequences for businesses well outside the original target group. Both [IR35](#) and the proposed [income shifting legislation](#) fall into this category.

According to Roback there is a serious underestimation of the potential consequences of new tax legislation arising from this consultation: "One possible expectation is that umbrella companies will be removed from the supply chain and agencies will employ contractors directly. However the reality is that this simply won't happen.

"A significant part of our written response to the Treasury is exposing the potential risks to the contracting sector of any punitive action against contractors using umbrella companies."

A drop in the ocean

"The total value of travel and expenses in the whole of UK PLC is, according to HMRC estimates, approximately £300m," says Roback. "If you removed allowances for travel for the estimated 150,000 - 200,000 contractors using umbrella companies, the resulting net gain by the exchequer is relatively small."

And will contractors desert umbrella companies in droves to set up their own [limited companies](#)? Or will enterprising service providers come up with an alternative trading model for contractors - perhaps overseas?

The question is whether the Treasury, and most importantly HMRC, would have the resources to effectively police as many as 200,000 new limited companies that might be formed if they chose to target umbrella contractors.

SPA will be releasing further details of its representation to the Treasury in the coming weeks and

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ContractorCalculator will report on the situation as it develops.

Barry Roback, Chief Executive,
JSA

Formed as an independent organisation campaigning on behalf of contractors' interests, SPA was founded in July 2008 by contracting industry suppliers [Brookson](#), [Giant Group](#), [JSA](#) and [Paystream](#), which have recently been joined by [Parasol](#).

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