

Income shifting proposal revived by Treasury with contractors in mind

London. April 28, 2008--The Treasury is working to revive its proposals on income shifting, the so-called "Family Business Tax" which would limit the ability for small businesses to share dividend income among spouses or partners.

ContractorCalculator has learned that the proposal, which provoked a wave of protest from tax experts and small business organisations in the first Alistair Darling Budget, is being shaped in a way that will more effectively target contractors and the smallest businesses. Both of these, the Treasury believes, abuse the dividend process to reduce their tax bills unfairly.

It remains to be seen how the proposal can be shaped so that it will be effective at all. The last proposal, which was based on a market valuation of the services provided all shareholders in small companies, was found by all tax experts consulted to be entirely unworkable.

"Not only is the proposal difficult to frame, but the theory itself is flawed: there is no reason why certain small businesses should be treated differently from others with regard to tax. Moreover, contractor companies often share the work between partners: just because one partner earns more than another does not mean that one contributes nothing to the company. The idea is discriminatory, and a deliberate attack on contractors," says Dave Chaplin, chief executive of ContractorCalculator, the largest internet resource serving the contractor community with over 100,000 monthly readers (ABCe verified).

The effect of the income shifting proposal on small business income can be clearly seen by using the Income Shifting Calculator on our website at: [Income Shifting Calculator](#)

"We had all hoped this proposal would disappear," Chaplin says, "but now it's back, and small business should once again begin to lobby against this deliberate attack. The Government claims to support a flexible economy and contractors are the basis of that kind of economy. Yet not only does the Government do nothing to support contractors--and there is not a single programme in place at the BERR for our industry--but rather it finds continual reasons to burden our industry with excessive regulation."

For more information on income shifting, or on small business issues, please contact Dave Chaplin at office@contractorcalculator.co.uk.

About ContractorCalculator:



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Dave Chaplin is a former IT contractor in the City of London, and is founder and CEO of ContractorCalculator, and author of the Contractors' Handbook.

Started in 1999, ContractorCalculator (this site) is the leading independent website for the UK contracting industry – most of whom are highly skilled knowledge workers. [Read Full Profile...](#)

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ContractorCalculator is an internet resource devoted to the contracting industries. Created in 1999 in response to the IR35 legislation, it has grown into the principal news and discussion site for the contracting industries – with over 100,000 monthly visitors (verified by ABC Electronic). It is the authoritative forum for contractors and recruiters offering real-time coverage of all news and events that affect the industry.

Published: Monday, October 27, 2008

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