

Why **freelancers/contractors** are still Government targets

In the *Money* Section of *The Sunday Times* on 27th September 2009, the focus was very much on what all the main parties may take away in terms of 'tax breaks' if they form the next government. One of the eight key areas that the various tax luminaries interviewed thought would be on the political agenda was **Setting Up Companies** because of the more favourable tax rates where profits are less than £300,000.

It is true that with previous recessions people have been forced out of careers and into contracting, nevertheless it is difficult to agree with *The Sunday Times* view that to take advantage of lower tax rates we will "see a rush of high income earners to incorporate", because as was pointed out in the article, one will need to be able to demonstrate that one is self employed.

However, it was interesting that one expert specifically referred to the Government potentially looking to tighten up the distinction between self employment and employment. The recent "False Self Employment" consultation paper which would spell the end of the labour-only subbie in the construction industry suggests that this is more than speculation. Can we therefore expect HMRC to try to reverse its poor yield from IR35 enquiries and start a new campaign against the freelancer? Or should we anticipate that Labour, or indeed whoever wins next year's election, has something even more draconian in mind?

Also of concern was a reference to the *Arctic Systems* case being revived by Labour. Does this mean we will see *Income Shifting* make a return in the Chancellor's autumn Pre-Budget Statement? The Government would love to stop small businesses distributing profits between husbands & wives in favour of the spouse with the lower tax band, but can it come up with any legislation that is more workable than the 2008 draft which was dropped allegedly because of the recession?

What is evident from this line of thinking is that the second decade since the introduction of IR35 is likely to start off just as taxing for the freelancer. And as ever, it is important that contractors continue to take sound advice and be vigilant about how they protect their livelihood from an unhealthy interest by the taxman. Contractors looking for more information can visit our Contractor section for more information on the services and products available. Accountants who would like to provide further advice to Contractor clients can visit our Accountants section to find out more about the services we can provide.

For further information, please call **0870 166 6270** or email sales@abbeytax.co.uk

