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The truth is revealed: If you work for yourself, the Government hates you and wants to capture you



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Self-employed? The taxman wants all your money

Let's stop pretending that the storm over Philip Hammond's Budget and the self-employed is all about white van men. Not that I have anything against white van men. We have a clutch of faithful local tradesmen who have come out to rescue our household from disasters so often that they are now cherished family friends. Indeed, our actual extended family includes a cohort of white van men.

But the issue at hand is about a huge range of vocations and occupations which do not involve spanners. As well as all the self-employed creative types I listed on this page last week — writers, artists, actors and musicians — there are the IT consultants, the web designers and the digital start-ups leading the technological revolution.

And then there are the artisan bakers, the small farms reviving traditional British cheeses, and the mothers who create kitchen table businesses so they can work from home instead of being economically idle: all those innovative ventures which

have introduced such vitality into the work culture. These are the people the Chancellor has chosen to clobber.



The Chancellor has attacked enterprise

Let's not pretend either that this is only about putting up National Insurance contributions. That is only one front in what is clearly an organised campaign against the self-employed and small business owners who are among the most productive, self-reliant and progressive in the true sense of the word (meaning "encouraging progress") participants in the workforce.

There is a pattern here which it is now impossible to miss. The two measures I wrote about last week — the introduction of quarterly tax returns and the effective abolition of the flat-rate Vat system — are going to be devastating. The first of these is deranging and apparently pointless: in future, all self-employed individuals and small businesses will be required to file four income tax returns per year instead of one. These will have to be done digitally using specially designated software. This will, of course, quadruple their accountancy charges at a stroke and require access to online facilities.

Even more damagingly, this change will oblige them to pay income tax at the end of each quarter rather than, as now, in one or two yearly instalments.

So if your business is seasonally affected: if you have a healthy quarter (say, in the run-up to Christmas if you produce gifts, or the summer if you are a gardener), you will not be able to spread the cash flow from that good period to cover the fallow one that follows. It will not be possible any longer to even out your good and bad times over the course of the year.

Of course, your next quarterly return will reflect the loss of business and your tax payment will be adjusted but that will take three months or more to come through.

By that time, as almost anyone who runs on a tight margin will know, you could either have gone broke or found it necessary to borrow more to remain afloat.

This brings me to another point about small business ventures which nobody in the Treasury seems to know. It is commonplace for those brave innovators who strike out on their own (often, incidentally, because they have been made redundant by an employer) to put their houses up as collateral for the loan which they need to get off the ground and the further loans that will keep them going in the rough patches.

So if their enterprise goes bust, or is pushed into insolvency by punitive government bureaucracy, it is not just a business bankruptcy: it is a family tragedy. That is what “risk” really means. This is the sort of nightmare that torments those people whom the Treasury has decided are likely tax cheats and manipulators of the system.

Philip Hammond and Theresa May have both been mouthing the same formulaic justification for their persecution of the self-employed (sorry, the “fairness” they are introducing into the National Insurance system): that the benefits that are now available to them have been largely equalised with those offered to those in employment.

The only concrete example that they habitually cite is the state pension. They conveniently gloss over the fact that every day that a self-employed person does not (or cannot) work is a day’s income lost. Not only is there no paid holiday time (not even a Bank Holiday) but there is no such thing as sick leave.

Perhaps Government officials are blithely indifferent to this because, as we know, it is not uncommon in the public sector for employees to be off sick for weeks at a time. Even in the private sector, it is illegal to sack someone who is on official medical absence. Whereas if a self-employed person or a small business owner-manager falls seriously ill, or has an accident which incapacitates him for months, he is quite probably done for. His business — and as noted above, possibly his home too — will be lost. Yes, Mr Hammond, that is what “risk” really means.

Both the Federation of Small Business and accountants’ representative bodies have given evidence to the Treasury Select Committee to the effect that the quarterly tax filing system will result in chaos and hardship to the sectors of the economy which are at the forefront of economic creativity and growth.

For the life of me, I cannot understand what benefit it will bring in either revenue or transparency. It is hard to see it as anything but a deliberate disincentive to self-employment which the Treasury has always been inclined to see as an exasperatingly nonconforming condition in which all sorts of disparate individuals — with their idiosyncratic pursuits and needs — might manage to slip through the surveillance of the tax officials.

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03:44

That brings us to the third diabolical stratagem which HMRC is determined to inflict. The flat-rate Vat system is about to be shut down in everything but name. It will, after 1 April, become virtually impossible to make use of this scheme which the government itself devised as a way of helping small businesses by allowing them to pay less in Vat than they charged (typically 12.5 or 13.5 instead of 20 per cent) in return for not claiming any expenses.

The almost incomprehensible conditions which have been set down for the use of this scheme will effectively phase it out. The justification for this is that too many people are using it “aggressively”.

Among that number, HMRC suspects, are many who have only registered for Vat in order to take advantage of the flat rate which actually allows them to make a profit from charging Vat. Those people will, no doubt, now simply deregister. So the Treasury will lose the considerable amount of Vat income which they had been paying even on the reduced rate.

In other words, in order to get their revenge on the presumably small proportion of individuals who were gaming the system, they are prepared to lose tax revenue. Can this possibly be sensible?

Incidentally, if you happen to be a flat rate Vat payer and are wondering why you have not heard about these fiendish new rules, it is because HMRC hasn't bothered to tell you. They claim that letters will start arriving on doormats around the middle of March — announcing a change that begins on 1 April. Unless your tax adviser has been helpful enough to keep you informed, you will have had no time to prepare for the consequences of this at all.

What lesson should you draw from this, all you self-employed toilers of Britain? You may have thought that by working for yourself, by taking your financial fate in your own hands, you were being brave, innovative, independent trailblazers for the economic future, and exactly the sort of responsible, hard-working the very people whom Mrs May said she was determined to encourage when she took office last year. Now you might well conclude instead that this Government really does hate you.

