

Freelancing Matters

Protecting and
promoting the
interests of
freelancers

Section 660 —
the latest

IR35 — how to live
with it

National Insurance —
tips for freelancers

Work permits under
investigation



Simon Griffiths
Chairman

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PCG has invited many contributors to Freelancing Matters. They do not necessarily represent PCG views. As always if you have any concerns you should ask a specialist advisor.

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Welcome to the first edition of Freelancing Matters

The PCG started as a simple mailing list update for freelancers concerned by the IR35 tax changes. Today, it is fast becoming the only cross sector, not-for-profit trade association dedicated to protecting and promoting the interests of freelancers.

In his book 'Britain in 2010: A New Business Landscape', Prof. Richard Scase, suggests that up to 40% of workers will migrate to the freelance sector by 2010. To those of us living in the freelance world this is no great surprise but provides the PCG with a unique opportunity to encourage and help shape the new freelancing culture by using the considerable expertise and knowledge built up by PCG members over the years.

The case for a strong freelancing sector is compelling - the UK's flexible labour market has helped the UK to a position at the forefront of many service sectors in the global marketplace. However, without legal recognition of freelancing as a valid way of organising a business, the freelancing sector will be forever at risk from an opportunist or naive Treasury looking for short-term tax receipts and ignoring long-term structural and economic effects.

We are working hard to ensure that the PCG has significant influence at the highest levels. This is being achieved by gaining the confidence and respect of the people that we wish to influence and attempting to persuade them to our point of view with compelling arguments.

However, formidable challenges confront the freelance community in terms of improving the legislative and commercial environment in which we all operate and ensuring that clients recognise the value of our skills and expertise.

As Chairman of the PCG, I am privileged to be working with a large group of talented and passionate people committed to shaping the future of the freelancing marketplace.

I hope you find this edition of Freelancing Matters both interesting and valuable.

Events Diary

The PCG has been very active in the first half of 2003 attending, for example:

- The Sunday Times Small Business Week Exhibition held at Earls Court
- The International Labour Organisation (ILO) conference held in Geneva
- Association of C&C++ Users Spring Conference

For the rest of 2003 we will be attending and or exhibiting at the following events:

| | | |
|--|---|---|
| September 2nd – 5th 21st – 25th 28th – 2nd (Oct) | OffShore Europe (Aberdeen) Liberal Party Conference (Brighton) Labour Party Conference (Bournemouth) | Exhibiting Attending Attending |
| October 2nd 4th 6th – 9th | E-vent 2.003 (Sheffield) PCG Annual Conference and AGM (London) Conservative Party Conference (Blackpool) | Exhibiting PCG's own conference Attending |
| November 16-18th | CBI Showcase (Birmingham) | Exhibiting |

PCG publishes an up to date events diary on the web site www.pcg.org.uk

Section 660A — a new old threat to family businesses

Most married freelancers who run limited companies have, on their accountant's advice, split ownership of their company with their spouse. There are clear tax advantages to this structure in terms of "using up" spare lower-rate tax allowances of the spouse when a dividend is declared.

Recently, PCG members reported an increase in the rate at which the Inland Revenue was seeking to attack such arrangements. This led the PCG to raise the issue nationally; and many freelancers will have seen the coverage generated in the national press and elsewhere. One of our members has received a tax bill, backdated over six years, for some £40,000.

For these attacks, the Revenue uses an arcane measure dating from the 1930's called "Section 660A" (or S660A for short, also referred to as settlements

legislation). This measure was designed to stop people "settling" their income on others in order to reduce their tax bill.

The Revenue's current policy is to attack situations where a freelancer's spouse owns shares in their company and receives dividend income in consequence which they have not "earned" by working for the company themselves.

The PCG considers this fundamentally flawed especially where ordinary (not preference) shares are involved. Virtually all expert commentators agree with the

PCG's position that the Revenue's policy is of highly dubious legality. We are urgently taking a test case forward and actively considering other cases.

PCG members will be glad to know that, should the Revenue investigate them under S660A, full professional representation by leading S660A practitioners is automatically covered under the tax investigation insurance bundled with PCG membership.

More information including advice and a full technical guide written by top tax expert Anne Redston can be found on the PCG's website at <http://www.pcg.org.uk>

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New Team Whips Administration into Shape

Ex army man Kevin Stearns joined in January as PCG's new administration manager, and has successfully brought several functions in house. These include bookkeeping, payment processing, subscription updates, member queries, general administration, collation of marketing materials, and much more. Kevin is ably assisted by Mandie Bell, whose charming telephone manner and helpfulness have won the praise of many. A new member Jacinta O'Sullivan has recently joined the admin team as we go to press, so welcome to her too.



Kevin Stearns

Mandie Bell

Profile of a freelancer: Steve Knowles

Steve Knowles trained as a chartered accountant with Coopers Lybrand Deloitte where he qualified in 1993 before moving into management consultancy and becoming an expert in financial consolidation and budgeting systems. Following a 15 month spell at Oracle, Steve set up his own business, Sky Consulting, to design and implement OLAP-based reporting systems.

Being a freelancer allows him to offer his expertise to clients at attractive rates, take on multiple projects and enjoy a degree of flexibility in terms of working patterns and direction. "I also like being able to create virtual teams of fellow freelancers for specific projects, without having to worry about employment issues," says Steve.

"And join the PCG!
It'll probably be
the best £100 you
ever spend."



His advice to new freelancers is to get their contracts right, save funds for lean times and take out all the relevant insurances. Freelancers have to find their own clients and projects and should remember the importance of networking, referrals and repeat business. "And join the PCG!" he advises. "It'll probably be the best £100 you ever spend, giving you

access to a knowledgeable community of professionals - remember, freelancing can be a lonely business."

Steve Knowles has been a PCG member since 1999, and is a member of the Consultative Committee and of the ICAEW.

THE CURRENT STATE OF THE INTERIM MARKETPLACE

Article by Alan D Horn, Managing Director,
Albemarle Interim Management Plc

The story has moved from pessimistic to guardedly optimistic over the last month. The marketplace still suffers from massive indecision, particularly in those sectors that have been badly affected by the technology crashes and the pensions fiascos. Little merger and acquisition activity means fewer projects. Negative growth means that belt tightening is the main area of corporate concentration.

However, there are a few breaks in the clouds. Enquiry levels are better and the quality of enquiries has improved. This has led to an improvement in conversions and increased assignment levels. Whilst one swallow does not make a summer, this is a move in the right direction.

The other area of positive news is on legislation. The infamous Agency Workers Directive now looks as if it will NOT affect our industry. The lynchpins in this massive change of perspective are twofold:

1. Alan Johnson, to his credit, has fought to block the directive and along with Germany, Denmark and Ireland has succeeded in delaying the decision until 2004. It is felt that this could be too long for most of the 'politicos' to stay interested, particularly as the proposer - Greece - will shortly lose its Presidency to Italy (who are completely indifferent to it). After a further six months it will move to Ireland, who, like the UK, are completely against it.

2. It has been agreed that one of the measures to judge the difference between fairness and unfairness in the way the contractor is treated is based on salary (only). As it is likely that all interim managers receive at least the same level of salary as the job they are substituting then there is no concern over lack of "Equality".

Alan has a background in the automotive and engineering industries, both in the UK and internationally and is also an ex director of 3i's consultancy business. He has been involved in interim Management since 1989 and became the Managing Director of Albemarle Interim Management plc in January 2000.



Alan Horn - Managing Director

The war for talent - where did it go?

There must be very few readers of this magazine who cannot remember the time when the dilemma was which contract to choose, not whether they were able to find a contract at all.

With estimates of tens of thousands of IT professionals currently out of work, the picture for many certainly is bleak, but is it changing?

I believe that it is, but in some ways for the better, and some for the worse.

We have certainly seen a flat bottom to the demand curve for contract workers for some months now - some small ups, some small downs - described by one person as "the corrugated bottom of the demand curve".

The good news is that demand appears to be rising slowly, but steadily. The market at large has its toe in the water, and is buying contractors again and when they do, there is a worrying trend towards buying off-shore at considerable cost savings.



It will take some time for the domestic market to absorb anything like all of the slack, but good contractors who have kept their skills honed and current and, most importantly, understand the principle of offering real value for money, can start looking forward with confidence again.

And the War for Talent? It is a gathering storm.

Derek Wreay is the MD of the contract/interim management agents Wreay International and – as a director of ATSCo – chairs the PCG/ATSCo working party.

Recruitment matters

In the current tough climate for freelancers, the client clearly has a lot of choice. The client organisation is unlikely to be seeing significantly more CVs for each position but can now afford to be very specific in terms of the requirement.

Most clients have experienced their share of freelancers whose practical experience bears little relation to the claims made on a CV. Not only are technical skills sometimes exaggerated, but also roles and responsibilities can often be unclear.

When comparing candidates who are alike technically, clients are increasingly taking into account other competencies and "team fit" when making the final decision.

Of course, a number of organisations have consistently been eager to ensure that the individual freelancer meets the cultural expectations of the role but, realistically, the resources required to do this properly and to meet internal user expectations are limited.

Many clients rely on references from recruitment agencies with varying results. However, with an increasing number of positions being filled with professionals recommended by other

freelancers, the problem is solved. Not only can the candidate's background be authenticated, but the sponsor of the individual can also comment on the individual's ability to operate within the particular environment of the assignment. A very powerful combination indeed.

Vivienne Byrne is a freelance HR consultant, with over six years' experience in financial services, manufacturing, energy trading and public services.

Financial risk in the real world

According to the Inland Revenue, unless a freelancer has to give a fixed price for a job or has the financial burden of acquiring and running expensive equipment there is no, or little, "financial risk". Accountax has successfully argued that in the real world the concept includes much more.

The obligation to correct defective work; a lack of a guarantee of work; no access to holiday pay, sick pay or a grievance procedure; running the risk of public liability and professional indemnity are all aspects of financial risk. On top of this it was specifically held in the recent Lime-IT case that the mere fact of invoicing is in itself indicative of "financial risk".

It is always worth remembering that, in the event that an IR35 dispute goes to the Commissioners, the quality of evidence is very important. If there have



been examples of defective work then this should be documented. Photographs of equipment bought for the business were used effectively at the Lime-IT hearing and of course copies of insurance policies should always be retained to prove that there was risk. The PCG has long advocated maintaining an adequate "paper trail" in relation to the running of the business and this should extend to aspects of financial risk also.

Finally, we are all aware of the downturn in the marketplace over the last couple of years. Many freelancers have had to accept lower rates to retain a contract. This is another classic example of "financial risk".

David Smith LLB FTII - Accountax Consulting Ltd, Milton Keynes.

S J D Accountancy Chartered Tax Advisors & Chartered Accountants

Do you run an independent consultancy or work as a freelance consultant?

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Web site at www.sjdaccountancy.com

Advisor to the PCG and recommended by the Sunday Times.

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The Hiscox Home & Contents Insurance Policy for professionals



'I was under the impression that most insurance firms take an age to pay out claims, so I was surprised, but extremely pleased, to receive your cheque so quickly'.

'Thank you for making a chore very easy'.

'The after-sale service is speedy and courteous, I will be recommending your service to family and friends'.

'I've just taken out my buildings and contents insurance with you and wanted to let you know, I am SO impressed with what your policy can offer. We have got so much more for our money. I will definitely be recommending you to my friends'.

Specialist protection for your home & possessions

How recently have you reviewed your home insurance, and does it automatically cover your business at home?

A household insurance service for members has been set up to meet the specialist home insurance needs of freelancers. Broader cover and preferential rates have also been negotiated exclusively for you by PCG.

This service is brought to you by Hiscox. With over 100 years' experience, an understanding of the special needs of the freelancing market and the only UK insurer with a particular focus on professionals, Hiscox is in a strong position to offer you comprehensive cover for your buildings and possessions.

Naturally this arrangement has come about after research into the Hiscox cover and service by PCG. A Hiscox policy offers numerous benefits that are not available in other standard policies such as:

- **Where you will be covered** - your possessions will be covered wherever they are in the world
- **Breadth of cover** - your possessions will be covered automatically for accidental loss and accidental damage
- **Home office business cover** - Hiscox general contents insurance will cover you for clerical work carried out by you and up to 5 employees, plus business interruption cover
- **Claims service** - award-winning claims handling with no forms to fill in
- **Valuable items** - there is no need for you to list items or provide valuations up front, including fine art, jewellery and antiques
- **Jargon free policy** - approved by Plain English Campaign

In addition to these benefits Hiscox offer you the following terms that are not available to the general public:

- A saving of 10% on your premium
- Contents sum insured starting from £15,000 (usual minimum is £50,000)

If you'd like to find out how much more value you could be enjoying or to speak to Hiscox about your specific requirements:

call 0845 330 9505 (Mon-Fri; 8.30am-6pm, quoting "PCG")
or visit www.hiscoxonline.com/pcg

HOW FREELANCERS CAN MITIGATE IMPACT OF APRIL'S HIKES IN NATIONAL INSURANCE

Freelancers are now feeling the pain from the April 2003 NI increases. A freelancer with a £40,000 gross income per year will see his take home pay fall by as much as £759 per annum - an increase of £354 employers' NI and £405 employees' NI.

This has come at a time when there is a lot of uncertainty in the market and freelancers cannot afford to just sit back and watch their take home pay fall unnecessarily. They should be aware that there are some simple steps they can take to help clients reduce the impact of the tax rise.

If you fail IR35, consider moving to an umbrella company which has a special expense dispensation with the Inland Revenue. The expense allowances should exceed those that you can claim using your own limited company.

The dispensation allows the umbrella to pay your expenses tax-free. Your gross salary, on which tax and NI is calculated, will consequently be reduced. This will result in lower NI liabilities and higher levels of take home pay.

"This will result in lower NI liabilities and higher levels of take home pay"

Alternatively, you could ask your umbrella company to pay some of your current salary into your optional pension scheme by way of a salary sacrifice. These payments do not attract NI, resulting in savings in both your employers' and your own National Insurance contributions.



Finally, if your agency's contract qualifies for IR35 insurance, you could consider joining a composite or 'managed limited' service. You become a shareholder in the composite company. A small salary is paid, to cover minimum wage legislation and the remainder of income is paid as expenses and dividends leading to substantial tax savings and higher take home pay for freelancers. Of course with the IR35 insurance this option is now free of financial risks.

By Matthew Brown, Managing Director, Giant Group plc

New standard contract agreed with ATSCo

The PCG has always had standard outside-IR35 contracts for freelancing available free of charge to members, and use of our existing standard contracts has been growing steadily. However, some members have found some agencies reluctant to consider a contract that is not "their own standard".

The PCG has therefore agreed a joint standard contract with ATSCo, the body representing agencies which supply IT freelancers. This contract is, according to legal experts, "a robust defence against IR35". It is available for use only by PCG members working through ATSCo agencies, and must be used only where its terms match the reality "on the ground".

The contracts are being distributed throughout the ATSCo organisation during July for general availability with effect from 1st August. Any PCG member

wishing to use the contract before August can ask to do so and, if the agency has yet to receive notification of the contract on behalf of the ATSCo Executive Committee, should ask that the agency's MD request a copy from the ATSCo CEO.

The contract is not mandatory: ATSCo agents do not have to use it. However every time a PCG member contracts through an ATSCo agency they can now ask to use the PCG-ATSCo standard - something the PCG strongly recommends they do.



Association of Technology Staffing Companies

Members can get a copy of the contract via the PCG website at <http://www.pcg.org.uk> and ask any questions on our online forums.

This is clearly a major step forward in defeating IR35 for freelancers, and over the coming months the PCG will be working hard to drive client demand for this new industry standard.

Tax effective strategy on closing your company

With the market being what it is at present some freelancers are looking at closing their limited companies. The question then is how to distribute the funds in the cheapest way from a tax point of view.

There are two main options available:

1. Dividends

All remaining funds in the company after payment of all liabilities are treated as a final dividend distribution and allotted to the shareholders as usual. As with any other dividend, for basic rate taxpayers there is no further liability to tax. Higher rate taxpayers will pay an additional 25% of the net dividend received that falls into the higher rate bracket. Careful planning is required here as you may well not know what other income you will receive in the rest of the tax year.

2. Capital Distribution

This route is actually a published Inland Revenue concession and, as such, must be claimed. Also, if the Revenue denies the concession there is no appeal process. Having said that I have yet to see a case where they do deny it.

Essentially this concession treats the final distribution of the company as capital, rather than revenue and is therefore subject to Capital Gains Tax rules. There are two useful reliefs for CGT. Firstly the first £7,900 of annual capital gains are exempt from tax, and this applies to each taxpayer. A typical husband and wife 50:50 split would therefore give £15,800 tax free (assuming no other capital gain in the year). Secondly, there is taper relief. This reduces the gain still further on a percentage basis so, for shares held for more than two years, the taxable gain would be reduced to 25% of the total.

For example, take a situation where there is £75,000 left in the company after all liabilities have been paid, and the share capital is split equally. Also assume that both individuals are higher rate tax payers. The difference between the two treatments is as follows:

| | Dividend | Capital |
|---------------------------|------------|-------------|
| | £75,000.00 | £75,000.00 |
| Annual reliefs (7900 x 2) | | -£15,800.00 |
| Taper relief at 75% | | -£56,800.00 |
| Chargeable to tax | £75,000.00 | £ 2,950.00 |
| Higher rate tax payable | £18,750.00 | £ 1,180.00 |
| Saving | | £17,570.00 |

As you can see the savings can be significant. Care must be taken to ensure that the application for the concession is made in the correct way. Your accountant will be able to inform you as to what is required.

The obvious question that most of you will be asking now is "why don't I just do this every three years?". The answer to that is that the Revenue will deny the concession if they suspect systematic tax avoidance. However, if the reason for closing the company were genuine (for example a contract ending with no others in prospect), then there would be nothing to stop one doing just that. As always, make sure you obtain professional advice from a qualified firm.

Simon Dolan is Managing Director of SJD Accountancy, he is also an advisor to the PCG



IR35 and how to live with it

Since IR35 was introduced, freelancers have been deluged with offers of "help". The market is awash with baroque "one size fits all" business operating systems and remuneration schemes, many of which are open to attack by Inland Revenue as tax evasion.

For example, many readers may have heard of a business operating system called Dignatio, which seemed plausible enough for many freelancers to place their trust in it, but collapsed recently leaving them many thousands or tens of thousands of pounds out of pocket.

There is also a plethora of "expert" advice that contradicts other "expert" advice; umbrella companies that "remove the risk of IR35" by paying you PAYE in any case, and so on.

In current market conditions, many freelancers simply do not have the time to evaluate each and every available option or piece of advice. Just running a freelancing business takes enough hours as it is and, frankly, few of us went freelancing so we could immerse ourselves in the abstruse complexities of tax and employment law.

The gut reaction is to turn to an accountant. This can be a mistake. IR35 hinges on intricate and difficult parts of employment law, an area in which many accountants have little or no practical expertise. However, some accountants do offer a genuinely excellent service.

"PCG has consolidated what it considers as best advice and published it in the PCG Guide to IR35"

PCG has consolidated what it considers to be best advice and has published it in the PCG Guide to IR35. The Guide is written in "layman's terms" and explains what the issues are, when you need professional help bespoke to your own business (after all "generic" advice can only be useful up to a point, as every freelancer's circumstances are different); how to obtain such help, and how to choose between the various suppliers of expertise.

Members can download this guide for free from the website at <http://www.pcg.org.uk>. In addition, members can ask the country's top experts and the freelancers involved in high-profile (and other) cases any questions they choose on the PCG's online forums. PCG also operates free legal and tax helplines for members.

Always ensure that you understand the track record of someone before paying him to advise you on IR35. Check that any "system" you use has been road tested. In particular, ask how many contested cases the practitioner or specific system has dealt with and what the outcome of those contested cases has been (losses as well as wins - get numbers). Be wary of any system that the Revenue has not looked at - yet...

For comparison, PCG's advice has been road-tested through several hundred Revenue investigations. The total number of losses to date is one.

Simon Juden is an experienced freelancer and PCG Board member. He led the original PCG negotiating team in negotiations with the Inland Revenue on IR35.



PCG publications

PCG produces a number of valuable publications written by experts covering a range of issues relating to freelancing. Two recent additions include: Guide to IR35 and Guide to Freelancing - download these from the site: www.pcg.org.uk



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You're trading as a limited company. It's good business sense. You want to make the most of your time and earning power. So why should you pay for a review just to see if your contract can be insured against IR35? Why pay for insurance to cover whole tax years, rather than covering your contracts? With **giant powerhouse**, the charges are small and positive. You receive a streamlined professional insurance package, generous expense allowances and shockingly efficient payment processes. PLUS: money-back guarantees and an online service that's light-years ahead of the competition. In short, the brightest managed limited company service around.

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Insurance protection for IT contractors, engineers and other professionals

Randell Dorling acts severally as managing agent on behalf of MMA Insurance Plc and Hiscox Insurance Company Limited (before this it was General Star International Indemnity Limited) in relation to the PCG Professional Indemnity, Public Liability and Employers Liability programme. Randell Dorling Limited was specifically created to administer the placing of insurance for groups of professionals and has been insuring PCG members since March 2000. Currently, 3,250 PCG members are insured with Randell Dorling.

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Member Services

Freelancing is a unique way of operating in business that requires specialist advice and services, and the PCG devotes a considerable amount of time and energy to developing and sourcing high quality services and tools that are relevant and beneficial to its members.

Professional & Legal

Contracts

Legal

Tax

Accountancy Services

Member requests and feedback are invaluable in determining which types of service to target next.

A recent addition to the portfolio of member services is a package of offerings from Trinatours for discounted hotel rooms and flights. As one delighted member commented, "I phoned Trinatours for a hotel in the North of England this morning. They offered me the Holiday Inn near Bolton at just £35 for the night including tax and breakfast and an upgrade to an executive room. Trust me, it's very good - I had the quote in less than one minute, and paid by credit card."

Another newcomer to the portfolio of member services is a home insurance policy from Hiscox, designed specifically to meet the needs of freelancers working from home. The comprehensive contents insurance covers accidental loss or damage, clerical work carried out by a freelancer and up to five employees, as well as business interruption cover.

For those who are just starting out freelancing or wishing to review or change their tax and accountancy provision, PCG has identified providers for a wide range of contracting situations.

SJD Accountancy are Chartered Tax Advisors and Chartered Accountants specialising in acting for freelancers who operate through their own limited companies. Their expertise is in managing all your routine financial requirements as well as recommending added value solutions on a personal basis.

Giant Group specialises in developing composite, umbrella and international services for freelancers in the UK and overseas. It works hand-in-hand with agencies to manage payroll systems, employment issues and changes in tax legislation and specialises in providing umbrella company and composite company status.

As PCG's web site evolves, the member services section will be enhanced for easier navigation and searching and clearer communication of what is on offer. The PCG will continue to explore any avenues that allow it to offer an increasing range of services to its members, thereby enhancing the value of membership and delivering more benefits for the price of the subscription.

To find out more about the full range of member services, visit www.pcg.org.uk

Financial Services

Contracts

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October 4th 2003 London Heathrow Marriott Hotel

This year's programme takes a look at the future of freelancing:

- Expert speakers from the agency, client and freelance communities.
- Discussion panel on a range of freelancing issues including updates and practical advice on key legislation
- Workshops focused on giving practical advice on a range of important freelancing challenges such as: Marketing Yourself, Networking and How to make effective use of out of contract time.



To find out more and reserve a place visit www.pcgconference.org.uk or contact Mandie on 0845 1259899

"Our IR 35 status has taken some 18 months to resolve but now at last we can plan future business activities with confidence."

Dave Smith of Accountax has been brilliant and I would not have known about him nor what to do without the PCG and the support of the legal and accounting forum."

Andy Rawson
First DBS Ltd

PCG - NOTES WESTMINSTER

If political journalists are the fleas that feed off the back of the dog that is politics, then political consultants must be somewhere even lower down the food chain but that has not stopped PCG's team of David Ramsden and Jo Phillips from achieving some considerable success over the last few months in building good relationships across the political spectrum.

Members will recall that we successfully managed to reopen dialogue with HM Paymaster General Dawn Primarolo MP over a breakfast meeting at last autumn's Labour Party Conference. That dialogue has continued on taxation issues although it is clear that IR35 is no longer the only prime issue of concern to freelancers.

PCG has joined the All Party Parliamentary Small Business Group which has already proved to be useful. We have made representations to ministers and the main opposition parties on areas of concern from Work Permits to S660 and continue to work with other interested bodies including the FSB, TUC, BCS, REC and ATSCo in order to ensure that PCG has a voice across the whole range of issues that affect freelancers.

Working in tandem with the PCG press office, we have seen the fruits of our labours pay off as the media and others picked up on the S660 campaign. This is one that will not go away as it becomes ever more apparent that MPs' postbags are bulging with correspondence from furious constituents who have suddenly been targeted.

Simon Griffiths used his election press statement to articulate PCG's concerns about lack of training, the erosion of a UK based skilled workforce which can only be detrimental to our competitive edge. This is a subject that finds resonance across the political landscape and by talking to others we hope to ensure that not only does PCG have a coherent voice but that it plays a part in the solution rather than simply being another part of the problem.

"Simon Griffiths used his election press statement to articulate PCG's concerns about lack of training"

We have worked closely with the Government's Small Business Bureau on S660 and the PCG was nominated as a Government observer at the ILO conference in Geneva. PCG has also met with the Defence Vetting Agency and been in useful contact with the Cabinet Office regarding security vetting procedures.

A week may famously be a long time in politics and we all know how slowly the legislative and political wheels turn which is why the PCG political team believes it is paramount to keep all lines of communication open. We believe that we have gone some way to achieving that and rebuilding bridges with a range of partners.

FROM & BEYOND

PCG has a regular presence in and around Westminster and the political team are already digging out their buckets and spades to head off to the seaside for the party conferences this autumn - photos in next issue!

**"and the PCG was
nominated as a
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Prosperity4

Working 4 Freelancers everywhere



Prosperity4 is an employment management service allowing UK and European-based contractors to maximise their contract earnings and stay IR35 compliant.

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- Reduced administration. Simply submit your timesheets and expenses.
- Financial Products at group rates including private health care and pensions.
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Work Permits Under Investigation

PCG has been in the news recently with its campaign for a tightening of the "fast track visa" rules. Gareth Williams, former PCG chairman, explains.

Work permits, which enable an overseas worker to be employed temporarily in the UK, are administered by Work Permits UK (WPUK), an agency of the Home Office.

The rules require, in theory at least, that the employer must be unable to fill the post with a suitably qualified resident worker or one who, with extra training, could do the job; that pay and conditions must be equal to those given to resident workers doing similar work; and that the worker must not be hired on as labour to a third party.

The current rules were introduced in response to the "skills crisis" of 1999 and 2000, when skills shortages in the IT industry were fuelled by the "dot com boom", millennium bug work, and the conversion of financial systems to handle the Euro.

However the end of this work, combined with a general slow-down, has reversed the IT skills shortage in the UK, and there are now an estimated 46,000 unemployed IT professionals, and around 30,000 freelancers out of contract.

In response to representations from the PCG and other bodies, WPUK declared the IT skills shortage list empty in August of last year. However, despite the skills shortage being officially over, IT work permits have continued to be issued, mainly under the Tier 2 and intra-company transfer routes. In the first quarter of this year 4,800 IT work permits were issued.

The PCG and other industry bodies say this is because the work permit system is now open to exploitation as a source of cheap labour, undercutting qualified UK staff and contributing to unemployment.



"A high proportion of complaints involve a small number of large multi-national consultancy companies"

WPUK has received many complaints about workers entering the UK with skills that are widely available among unemployed IT workers, being paid well below the market rate and being hired out as freelancers to third parties. A high proportion of complaints involve a small number of large multi-national consultancy companies.

Following a meeting with industry representatives in June, WPUK has now agreed to commission independent research into the problem, with a view to further tightening the rules. PCG will be helping to draft the terms of this investigation.

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New PCG affiliate programme

The PCG is pleased to announce the launch of its new affiliate programme to replace the previous associate membership category. Affiliate membership is available to a broad range of stakeholders in the freelancing community and offers a cost-effective means of working with the PCG. It allows privileged marketing access to around 12,000 full members, who are freelancers in IT consulting, management consulting, accounting, engineering, oil and gas, interim management and several other sectors.

Affiliate membership is intended for businesses that are able to offer services or products of potential interest to freelancers, possibly on preferential terms. Membership is for the organisation, rather than an individual, and costs just £250 a year.

PCG's affiliate membership will include accountants, training organisations, marketing agencies, software providers, travel agencies, hotel groups, serviced and virtual office operators, insurance brokers, tax advisers, recruitment agencies and a host of other organisations with small business offerings.



The benefits of affiliate membership include:

- Dedicated affiliate area of the PCG web site with a category listing, short business description, company information template, and link to the affiliate member's web site. This will be extended to include a search facility.
- Permission to use the PCG affiliate logo on literature and other marketing material.
- The option to participate in PCG's comprehensive range of marketing activities. These include the quarterly publication of *Freelancing Matters* for distribution to some 50,000 freelancers, a weekly email newsletter, the annual PCG conference, PCG events and seminars, new membership packs, and the publication of several expert guides and manuals.
- Access to the affiliate, commercial, technical and IR35 discussion forums.

Former associate members have automatically been given affiliate membership status, and organisations wishing to join can do so via the web site or by calling Mandie on 0845 125 9899.






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