

Freelancing Matters



**Protecting and
promoting the
interests of consultants,
contractors and
freelancers**

**The value
of freelance
networks**

**Tax blow
for family
businesses**

**PCG Quality
Systems: first
certifications**



Dr Simon Juden
Chairman

Inside this issue

| | |
|------------------------------------|----|
| News from PCG headquarters | 3 |
| Profile of a freelancer | 4 |
| Policy highlights | 6 |
| PCG Quality Systems | 8 |
| The value of freelance networks | 11 |
| Engaging a freelancer | 13 |
| Agency matters | 15 |
| Tax blow for family businesses | 17 |
| Exclusive Barclays package | 18 |
| Mining the Ashridge jewels | 19 |
| Tax treatment of business expenses | 22 |
| Outsourced reception | 25 |
| Are you prepared for A-day? | 26 |

Freelancing Matters is published by
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Representing and promoting consultants, contractors and freelancers

My thanks go to everyone who participated in the recent elections, which saw a record turnout this year. I am deeply honoured to have been re-elected as chairman and look forward to another year leading PCG. Warmest congratulations to all those who were elected on to the Consultative Council, and to Chris Woollacott who takes over as my deputy.

My vision for PCG remains that it should be the voice of freelancers and the heart of the freelance community. I am very proud of PCG's achievements this last year, especially as they were accomplished during a fundamental restructure of the organisation which saw us hire our first nine employees and move to larger premises.

We have continued the robust defence of our members in the courts as well as widening our lobbying reach, working with ministers and their shadows, key civil servants, MPs and MEPs. We have engaged more than ever before with Government, responding to a record number of consultations, and working proactively in the corridors of power in the UK and Europe to protect and promote our members and their marketplaces.

Family businesses were dealt another bitter blow in April when Geoff Jones of Arctic Systems lost his landmark Section 660A case at the High Court. The case was supported by PCG, and I would like to reiterate my thanks to all those who contributed - James Kessler QC, PCG members, Berg Kaprow Lewis, the FSB, JSA and members of the public - as well as the legal team of Malcolm Gammie QC, Anne Redston and Accountax Consulting for their generous support.

One of PCG's core activities is to campaign for clarity, consistency and common sense in regulation and legislation. Where this means resorting to litigation, that is what we will do. I can confirm that we are taking the Arctic Systems case to the Court of Appeal.

PCG must engage fully with industry too; we have established and strengthened links with a variety of complementary organisations, hosting an event for key stakeholders and speaking at several other industry events. We have also launched an Approved Contract scheme to accredit agencies' own contracts with regard to IR35 and commercial terms.

We have launched a new level of membership called *PCGPlus*, which bundles basic membership benefits with PAYE compliance insurance and a host of valuable information services. *PCGPlus* has proved hugely popular in its first six months.

A key project for us in the last year has been PCG (QS), an innovative ISO9001 certification scheme for freelancers. Far less expensive and bureaucratic than most routes to certification, PCG (QS) opens public sector markets previously closed to freelancers and has already resulted in major project wins for certified members.

Thank you all for your terrific support this last year.

Useful contact numbers

PCG administration and support helplines

| | |
|------------------------------|---------------|
| Membership administration | 0845 125 9899 |
| General enquiries | 0845 125 9899 |
| Tax investigation claim line | 0845 125 9899 |
| Legal helpline | 0845 125 9251 |
| Tax helpline | 0845 125 9252 |

Contract review service suppliers

| | |
|--------------------------|---------------|
| Accountax | 08450 660 035 |
| Bauer & Cottrell | 01525 712 727 |
| Lawspeed | 01273 236 236 |
| SJD Accountancy | 0500 152 500 |
| PI & liability insurance | |
| Randell Dorling | 020 7929 5454 |

News from PCG headquarters

As previously reported, we have expanded our headcount of staff and suppliers to help us gear up for the next stage in our growth, recruiting permanent employees for the first time in PCG's history. The last few months have seen a handover period during which a number of responsibilities have shifted from directors to permanent staff.



Mark Wharton has embraced his role as operations manager with great vigour and enthusiasm. Responsible for member services and operations, he has not only ensured that the administrative processes are performed in accordance with documented quality procedures, but has also implemented a successful introducers' scheme to encourage professional businesses to recommend PCG membership to their clients.

Political researcher John Kell has quickly acquainted himself with a vast array of issues that affect the freelance community, including IR35, S660A, the merger of Inland Revenue with HM Customs & Excise, software patents and public sector procurement. The rigour with which he has applied himself to producing comprehensive responses from PCG to a range of consultation documents on some fairly complex matters is nothing short of impressive.



Justin Powell



Ian Noble

In April, we recruited two new people to the IT team, as permanent employees. Team leader Justin Powell has streamlined the internal ticketing system to speed up turnaround times for administrative system development and website requests, and developer Ian Noble is responsible for website updates and the production of newsletters.

Kevin Stearns, Mandie Bell and Jacinta O'Sullivan have continued in the roles that they previously performed on a freelance basis. Laura Bolton, who was taken on last summer on a one-year work placement as part of her Business Studies degree at Brighton University, will be leaving us soon. We thank her for her valuable contribution and hope that she will continue to be an ambassador for freelancing.

We have just recruited another sandwich student, Nadia Mohamed, in her place, in line with our aim to make a positive contribution in society.

Elections

PCG's annual elections for the Consultative Council (CC) closed on 10 May 2005, and the following 16 members were elected: Simon Juden, Ian Durrant, Geoff Jones, David Ramsden, David A. McKelvie, Philip Down, Gurdial Rai, Ajmal Zia, Neil McClements, Mark Handford, Alan Watts, Stuart Mealing, Clive Palmer, Christopher Bryce, Court Guinness and George Randle. Nine of these are serving on the CC for the first time.

The full complement of 30 CC members is made up by the following CC members who were not required, under the Articles, to stand down this year: Jon Axtell, Andrew Banks, Paul Chapman, Pamela Edwards, Simon Griffiths, Alexander Heney, Andrew Humphreys, Leigh Mount, Mark Powell, Stuart Ritchie, Richard Robson, Steve Sowerby, Julie Stewart and Chris Woollacott.

At the first meeting of the new CC on 21 May 2005, the following were elected as directors

for one year: Simon Juden (Chairman), Chris Woollacott (Deputy Chair), Simon Griffiths, Ian Durrant, Julie Stewart and Richard Robson. The board then voted to appoint Neil Graham, Berg Kaprow Lewis, as Finance Director for the same period.

This year, for the first time, members had the choice of voting online or by post, and I am pleased to report that this approach resulted in a fourfold increase in voter numbers. We have also received over 1,200 responses to the annual membership survey that was sent out with ballot papers; this represents over ten per cent of the survey population and provides a robust statistical sample. I would like to thank all those members who took the time to share their views with us.



John Thomas
Chief Executive

Events diary 2005



March

- 16-18 Institute of Interim Managers event
IOD dinner at House of Commons
Arctic hearing at the High Court

April

- 11 Bank of England SME panel
- 13 smallbusiness|europe
- 20 Genesis Initiative panel
- 21 ATSCo quiz night

May

- 18 BCS North London seminar
- 25 S660A seminar in London *
- 25-27 smallbusiness|europe, MEP meetings
- 31 Enterprise First Europe dinner

June

- 1 FFII conference on patent policy
- 2 European Parliament:
debate on software patents
- 13 PCG (QS) official launch event *

September

- 6-9 Offshore Europe
- 18-22 Liberal Democrat Party conference
- 23 Byte Night charity event
- 25-29 Labour Party conference

October

- 3-6 Conservative Party conference
- 7 Management Consultancy
Careers Fair
- 11 PCG ATSCo charity golf day *

November

- 8 Present PCG (QS) to MEPs

* PCG event



Profile of a freelancer:

Penny Lowe

At 46, Penny relishes the variety of work that she undertakes for the company's diverse client base, and this was one of the key drivers in her deciding to operate as a freelancer two years ago. "Clients have offered me permanent, full time positions," says Penny, "but I would rather help them employ someone so that I can move on. Whenever I discuss a possible assignment, I make it clear that I will never work for one company on a full time basis. The benefit to the client is that it is more cost-effective if I turn up only when work needs doing."

Originally trained as an accountant, Penny worked in practice before moving into the commercial sector. In 16 years at Sage CSM, she managed every department except finance and administration; her various roles encompassed training and training management, support management, business development, major account management, customer relations management, and project and product management. Whilst there, Penny also completed an MBA through the Open University, inspired by a course that she had done at the Women's Institute residential college.

She joined BancTec International as a project manager responsible for software development, and having turned the project around, moved into business development to promote and organise product training worldwide. After the events of 11 September 2001, in common with many other companies, the American corporation disbanded the department, and Penny was given notice. This proved to be the catalyst for her new freelance career. "They asked me to continue working for them after my notice period," she explains, "but I decided that if they weren't prepared to keep me permanently, I would move on."

A consistent strength throughout her career has been Penny's ability to turn problem projects and departments around. "Wherever I have worked," she admits, "I have always been asked to take on roles that have either been neglected or had problems, and this has continued now that I am running my own business. Sometimes my clients don't even know that they have a problem until I uncover it, and are always pleased that I can sort it out before it attracts the attention of the authorities or causes internal wrangling. My work often leads to financial benefit."

Like many freelance consultants, Penny is always worried about where the next projects will come from. "As I like to solve problems, put processes in place and make businesses self-sufficient, I am always doing myself out of future work," she says. "The flip-side is that clients who are happy with the results I've achieved for them quite often find new projects for me, because they know that they can expect a high quality of work."

Most of Penny's new business comes from referrals and networking, and she appreciates the importance of making time to go out and talk to people, even when she is busy. Her membership of Refer-On has resulted in some good introductions, not least with reliable suppliers, and involvement with the local Chamber of Commerce has resulted in new business leads. She also teaches strategy and management for degree and other recognised qualifications, and although this 'regular' work sometimes gets in the way of other projects, there is benefit in some bread and butter work during term time.

Penny believes that the broad range of services offered by Wellington Consulting helps to differentiate her business from its competitors.

Penny Lowe formed her freelance business, Wellington Consulting Limited, in June 2003. Aimed at helping small and medium sized businesses get things done, the company's portfolio of services covers a broad range of activities, from accounting and bookkeeping, project management, software evaluation, employee selection, customer relationship management (CRM), training and interim management through to marketing services, event management and a variety of back office services.

Wellington also offers consulting services to larger firms that can benefit from having an independent analysis of their problems and challenges.

“I am extremely happy with the service that Wellington Consulting offers. It is nice to have a professional person to come into my office each week to handle all of my paperwork. It takes the stress away from me and leaves me free to do what I enjoy doing and concentrate on other areas of my business. Penny is very approachable and I feel I can trust her with anything. She also helps me to develop my business and make plans over a cup of tea.”

*Tracey Ward, Proprietor
Apollo Martial Arts*

“The Brian James Group is an independent management consultancy practice. We specialise in marketing and developing growth strategies. In running the business, I keep finding issues arising that I know Penny has the knowledge to deal with. This has ranged from project planning and costing through implementation of a CRM system, redemption of shares to business plans and back office support. I send her an email or make a phone call and know I can cross it off my list as it is now on hers.”

*Brian James, Chairman
The Brian James Group*

“I've known Penny for some time but didn't really know exactly what she did. When I wanted to move my business forward, her husband said I should talk to her. I found I was getting more help, plain English explanations and common sense from her than my accountant/ business adviser so I swapped. I pay her a monthly amount and feel I have someone to talk to whatever the question ... and she has taken away the carrier bags of bills known as my accounts!”

*Steven Sanderson, Partner
The Crispin Public House, Wokingham*

"The fact that I respond to the needs of the clients and am happy to meet people outside normal working hours also helps," she says. "I try not to take on too many clients, because I don't want the service levels to be diluted. My sole objective is to help clients develop their businesses by taking away the nasty bits and project managing to get ideas implemented, and so it is important that I work closely with them. After all, it's their business."

"First and foremost, you must have some money in the bank. You need time to run a business, and time is money. Lack of funds can be a terrible distraction and cause you to lose focus. Be aware of the employment status issues too – that's why I joined PCG."

In its first two years of operation, Wellington Consulting has handled a diverse range of projects. Penny has implemented a CRM system for an Independent Financial Adviser in the City, and another for an office interior company. For a health spa, she produced a prospectus and financial plan, and she has undertaken several project planning assignments and marketing campaigns, including finding 'stuffers and stampers' for thousands of envelopes.

Penny has also taught management to a group from a national accountancy firm, where the 'students' in the class of 16 ranged from the office support person in the IT department to qualified accountants dealing in corporate finance. "For me, the most satisfying and enjoyable thing is working with people," she says. "They are all different."

Penny has good advice for other people wanting to move into freelancing. "First and foremost, you must have some money in the bank," she says. "You need time to run a business, and time is money. Lack of funds can be a terrible distraction and cause you to lose focus. Be aware of the employment status issues too – that's why I joined PCG. Freelancing isn't easy, but can give you more choice. I work many more hours for less pay, but I enjoy being able to choose what I do. I'd like to increase my charge-out rate now that I have established a track record, so that I can afford to work a little less."

Husband Michael is a senior policy adviser for HM Revenue and Customs. Penny's 17-year-old daughter Penelope is studying for her A-levels, and is employed by the business part-time. She has helped with mailshots, PowerPoint presentations and the like, and sometimes substitutes for Penny at Chamber of Commerce breakfast meetings, where she has had good practice at delivering the one-minute company pitch.

Outside work, mother and daughter keep horses, and according to Penny, this provides a modicum of work-life balance. "The horses are very obliging, as they have got used to being hurried or turned out when I'm wearing posh work suits," she laughs. "I do not like



housework, and it is the first thing to be moved to the bottom of any 'to do' list. Thankfully, television is not my favourite pastime, as I don't have time to watch it. I believe in packing as much into each day as I can."

The other activity that Penny shares with her daughter is membership of the Women's Institute, and she is enthusiastic about learning from members - mostly of an older generation - whilst having an evening away from work. "I have to turn the mobile phone off during meetings, so it really is an escape," she says. Penny enjoys teaching and is working towards further accreditation in the field. It was through training motorcyclists that she met her husband. "Since then, I have taught many things, including scaffolding, folding sheep fleeces, and, currently, strategy. As I've said, I like variety."

Her "can do" attitude and love of variety are reflected in the company motto: "We're here to help", and in the logo – a pair of blue wellington boots!



For further information, see www.wellingtonconsultingltd.co.uk

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Policy highlights

With a May general election in the UK and elections for the EU presidency in the second half of the year, PCG's policy work during 2005 focuses both on domestic activities and on Europe.

UK policy work

Genesis Initiative

Since 1999, the Genesis Initiative has established itself as the forum for cooperation across the UK's variety of small business groups. Among its recent activities has been the survey commissioned from YouGov to assess the needs of small business ahead of the general election, to which numerous PCG members responded.

More significantly, the Bank of England invited Genesis to formulate a pilot panel representing SMEs across multiple sectors with the intention that this should serve as the long-term replacement for the Bank's Small Business unit, which was closed down in 2004.

The pilot panel, at which PCG was represented by its CEO John Thomas, was held on 11 April. The potential for PCG to feed into decisions such as the setting of interest rates and advising about the potential impact of any and all legislation on its members' interests is a significant step forward. More generally, this kind of initiative and cooperation across assorted small business sectors would have been unimaginable ten or even five years ago.

Consultations

PCG's responses to government consultations have become increasingly regular since the start of the year. Generally, when a consultation is announced on an issue affecting freelancers, details are published in the discussion forums area of PCG's website, which is accessible to all members so that they may become involved to whatever extent they wish. Taking into account the comments posted by members, a draft response is formed and posted on the website for further comment, after which it is finalised and submitted to the relevant government department.

Currently there are three ongoing consultations on which comments are invited. Two pertain to the merger of the Inland Revenue and HM Customs & Excise to form HM Revenue and Customs; a broad consultation on HMRC's powers closed on 13 June, while a

consultation aimed specifically at the new body's relationship with small business closed on 30 June 2005. Reforms to company law are also being proposed, for which the consultation window closed on 10 June 2005.

Since January, PCG has submitted responses to numerous consultations. The Tribunals system is shortly to undergo an overhaul and, unfortunately, it seems inevitable that a PCG member will find himself appearing at a Tax Tribunal, the replacement for the General and Special Commissioners, sooner or later. Under the proposed new system, the tribunals will be made accountable to Parliament and independent from government departments.

Less promisingly, the new system removes the right to choose the type of tribunal in which a case is heard, unlike the present situation where one can choose between the Special and General Commissioners. The right to appeal seems to be somewhat restricted as well, though more detail on that is yet to emerge. The reforms are part of the shift towards "Alternative Dispute Resolution"; there seems to be a danger that this will be justice on the cheap, without costly things like hearings. It is an issue which may well surface again.

A response was also submitted to a consultation by the Office of Government Commerce (OGC) on supply-chain management. The best way to manage supply chains better would be to have more freelancers in them, PCG subtly suggested. The consultation suggested a "selling-to" guide, from which it seemed that the OGC may not realise how many freelancers there are who would like to be able to compete for government contracts, a point which was also put in the response.

Finally, PCG fed into the Hampton Review of government regulation, whose findings were accepted in the Budget. These include reducing the number of forms necessary and the number of inspections for businesses with good compliance records. As with all of these



proposals, while they mostly sound good in principle, it remains to be seen how effectively they are implemented in practice.

Agencies and ID requests

Several PCG members have recently raised the issue of requests by agencies for copies of their passports or other forms of identification as a prerequisite for putting them forward for work. The agencies' justifications for these requests have reportedly been somewhat muddled at times and some members have declined to cooperate.

PCG has investigated the issue and a full guidance document, which explains the legal developments that have provoked the trend for ID requests, can be found on the forums. While there is no requirement for identity to be checked when a proper contract for services exists, realistically agencies and Employment Businesses are increasingly likely to want to adopt ID checks as standard procedure. It is also clearly the intention of the Government that agencies and Employment Businesses should check workers' identities. There is no requirement on contractors to provide such evidence. PCG advice is, however, that there is no reason not to comply with such requests. Any contractor who declines to cooperate does so at the risk of ruling themselves out of a contract, though it is of course entirely a decision for the individual.

In line with advice from both Accountax and Lawspeed, PCG can further reassure members that providing ID would have no adverse implications with regard to IR35. It would not be related to the actual work and, as a request by the agency, would not have any impact on the hypothetical contract between contractor and end-user. It does not, therefore, have any bearing on the criteria by which IR35 status is assessed.

Europe

The Lisbon agenda

The Lisbon Agenda is much-referenced within the EU, but it is increasingly the accepted wisdom that little is ever done about it. Drawn up in 2000, its stated aim is to make the EU the most competitive and dynamic knowledge-based economy in the world by 2010. It may be that PCG will be able to contribute a major step towards achieving this. Chief executive John Thomas will be making a presentation on the subject of the PCG (QS) scheme to MEPs and Commission officials during the UK's presidency later this year.

For further information, see
europa.eu.int/growthandjobs/index_en.htm

EU Directives

The proposed Directive on the Patentability of Computer-Implemented Inventions - more commonly referred to as the "software patents" Directive - has been a subject of much discussion among members. Although it does not affect members by dint of their freelance status, PCG has agreed to campaign on this issue because it will affect PCG's members in the IT sector disproportionately, as small businesses, and also because no other UK organisation has mounted a concerted campaign against the Directive.

The British Computer Society and Intellect, the self-styled trade association for IT professionals, are currently reported as both being in favour of software patents. PCG believes, however, that software should not be patentable and that, if allowed, such patents will be extremely damaging to small business. A document outlining PCG's position and providing an introduction to the complexities of the issue is available via the forums.

The Directive on Services in the Internal Market is regarded by EU policy-makers as being crucial to the success of the Lisbon Agenda. The Government is in favour of the so-called "country of origin principle" under which companies operating abroad will be regulated according to the standards of their country of origin. The Directive has now begun its progress through the European Parliament and this has already proved a controversial issue. The likely impact on PCG members of the Directive is not clear but PCG will continue to monitor developments.

The Directive on Temporary Agency Workers has been stalled since June 2004; again PCG is monitoring its development, having contributed to the UK's consultation on the issue in 2002. As the UK government and six others are currently blocking the Directive, no significant developments look imminently forthcoming.

Work permits

The work permits scheme - commonly known as "Fast Track Visas" - was launched in January 2000, allowing firms to bring in non-EU workers with skills in short supply, without first having to advertise in the UK. Critics argued that the scheme was being abused to bring in cheap labour, undercutting UK freelancers and employees. A campaign, headed by Gurdial Rai, PCG's representative on the Work Permits UK IT Sector Panel, produced a wealth of evidence to convince the panel that home-grown IT skills were not in short supply.

All IT skills were removed from the shortage list in 2002: firms must now show they have advertised vacancies in the UK before seeking work permits.

The new work permits system proposed by the Government in 2005 represents an improvement on its predecessor and allows for better application of the principle that the number of work permits issued needs to reflect economic conditions. It seems to represent a genuine effort to get it right and the points-based system (which replaces the old Tier 2) will be a lot more controllable and enforceable. The Sector Panels/Skills advisory committee will be able to vary the point allocations depending on market demand and therefore control will lie more with the Sector Panels rather than having to rely on the soundings from employers. There will also be 'on the spot' fines for companies abusing the system.

A points-based system will make abuse easier to identify and prosecute.

After the closure of the skills shortage list, evidence emerged to suggest that many firms were abusing the Intra-Company Transfer system by bringing in large numbers of overseas workers and exploiting them by paying less than the going rate. Work Permits UK has admitted that ICT workers have been coming into the UK without genuine company-specific skills, indeed that they are often trained in the UK after arriving.

The 2005 proposals include a mooted "offshoring permit" which will cover this scenario. PCG welcomes the proposed reform and hopes that it will be used as an opportunity to close the ICT loophole and introduce a regime which can be used only for the genuine transfer of workers with company-specific skills. The details of this system are yet to take shape and PCG will be feeding into this process; PCG representative Gurdial Rai plans to meet the Director of Work Permit Policy, Home Office, and his team within the next two months.

It is clear that PCG's arguments and evidence have been taken into account by Work Permits UK in the past. PCG intends to continue working in partnership with other panel members to ensure that no further abuses or exploitation occur.



John Kell

John Kell joined PCG as a political researcher in January 2005. In this role, he is responsible for monitoring forthcoming legislation and proposals, identifying

consultation opportunities and drafting responses, writing and updating website material and guides for members and communicating with the board, management team and membership about current policy and case law issues.

John took a double First in History from Cambridge, where Sidney Sussex College also awarded him the Peachey prize in History and Fisher-Selby prize for essay writing. He was awarded the title of Scholar on leaving the college, having been elected to the Charles Whittaker scholarship for the previous two years. He had previously taken prizes for Politics and History at The Manchester Grammar School.

His work experience before joining PCG included assignments with the BBC and companies in the Interpublic and Close Brothers groups in Manchester.

PCG discussion forums

The discussion forums provide members with the facility to exchange ideas and opinions and to seek advice about a wide range of topics, including lobbying and external affairs, press, legal and accounting matters, taxation, case law, client, agency and Affiliate issues, member services and PCG governance. The commercial forums facilitate the promotion of members' goods and services to one another, and two of the community forums support the organisation of regional meetings and

events. Affiliate members have access to the commercial, contracting and Affiliates forums.

A large number of the respondents to PCG's last annual membership survey cited the forums as being one of the things they really liked about PCG, not only as a source of knowledge, information and up-to-date news, but also for the sense of camaraderie that it offered, particularly to those working away from home.



PCG Quality Systems: Transsol first past the post

Less than four months after the launch of its quality scheme, PCG named Transsol Ltd as the first member business to receive ISO9001:2000 certification under the scheme.

The company, which specialises in engineering, safety and risk management in the railway environment, passed its ISO9001 certification audit at the end of February.

Managing director Stuart Mealing said, "I am delighted and believe that this will mark a major change to Transsol's fortunes; it will now be indistinguishable from the larger consultancies, with whom it competes, in the eyes of end clients. The scheme costs significantly less than others I had investigated, but is far more comprehensive and includes consultancy support, a full quality manual and set of procedures, as well as a bespoke web-based Electronic Quality Management System (EQMS)."



PCG chairman Dr Simon Juden said, "Here is a freelance business now able to bid for work it was previously unable to bid for, thanks to PCG (QS). More and more public and private sector organisations in the UK and Europe are insisting that their suppliers have UKAS-accredited ISO9001 certification.

"Transsol's achievement represents a very exciting milestone for PCG's initiative"

"Our groundbreaking scheme ensures that these markets are open to our members, allowing freelancers to compete for business they would otherwise get nowhere near, as well as enabling them to demonstrate credibility and quality to all markets. In times when offshoring is rightly perceived as a threat to those competing on price, PCG (QS) enables freelancers to compete on value, and enhance their value add to end clients and to UK Plc.

"Transsol's achievement represents a very exciting milestone for PCG's initiative," Simon continued. "Our heartfelt congratulations go to Stuart, and we hope that his will be the first of many, many freelance businesses to benefit from certification."



Presenting Stuart Mealing with his certificate, Vic Bowen of BVQI said, "BVQI has always been in the forefront of developing new management system standards for the benefit of business and people and our commitment to adapt to the growing diversity of the UK business landscape is perfectly demonstrated by our involvement in this new PCG (QS) standard.

"This new system of certification is perfect for the freelance sector. It establishes an even playing field in terms of quality business processes and will open up a wide range of new business opportunities for freelancers that previously would have been unattainable."

"This new system of certification is perfect for the freelance sector."

Transsol: after certification

Stuart Mealing

I believe that the PCG (QS) scheme will change the ISO9001 landscape for smaller companies. Nothing in the market comes anywhere near this scheme in terms of cost, support or products, even before the electronic document management system is taken into account.

Transsol passed its ISO 9001:2000 certification audit on 25 February 2005. During the audit it became clear to me how important the content of the QMS documentation was since this was assessed in detail by the auditor. This is the real value of PCG's scheme; it provides you with an ISO 9001 compliant QMS and associated procedures. To produce these myself would have cost far more than the PCG (QS) as a whole and it is doubtful whether this documentation and associated procedures would have passed the certification audit at the first attempt.

Transsol's pursuit of ISO9001 certification has been well received by its clients. We have submitted a formal tender for carrying out the safety assessment for a fleet of 120 new diesel trains being supplied by ROTEM of South

Korea, a major manufacturer of rail vehicles, to Irish Rail, which stipulates that all suppliers and sub-suppliers must be certificated to ISO9001 or equivalent by a recognised body. There is one other company on the shortlist for this contract, but we are now able to compete on a level playing field.

We have received a clear interest from Network Rail to produce a suite of documents to support construction of the electrification upgrade to the West Coast Main Line. Our current project on the Athens Metro lines 2 and 3 extensions involves the design of a fault recording and corrective action system (FRACAS) for the electrical and mechanical plant installed in stations, tunnels and depot areas. The system we have developed may now be rolled out to the trains, train control and signalling systems. This will probably be in the form of a direct contract with Attiko Metro SA, Greece's national metro system operator, which insists upon ISO9001 certification.

Opportunities are beginning to build up for Transsol, and I have no doubt that some of these will develop into real contracts and real work. It is clear to me that ISO 9001:2000 certification has enabled Transsol to develop from a small contracting company with limited market potential into a serious business with industry-wide appeal.

Further information about Transsol Ltd can be found at www.transsol.net

About PCG (QS)

PCG (QS) was developed in partnership with BVQI, the independent certification body of Bureau Veritas, Qualsys and BQI Consulting.

The first cross-sector scheme of its kind, PCG (QS) is being delivered at a fraction of the cost of any credible alternative, and incorporates a fully-hosted EQMS and technical support, a full-day training course and instructional materials, templates and checklists, remote online internal quality auditing and an ethical code of conduct. There is also the option of business loan facilities from Barclays Bank plc.

PCG believes that certification through the scheme will help the brightest and best independent consultants to compete on a level playing field for public sector and corporate projects. To date, 129 member businesses from across a broad range of sectors have signed up for the PCG (QS) scheme, and PCG would like to extend special thanks to those members who participated in the scheme as beta testers.

The official launch of PCG (QS) and celebration of the scheme's first successes took place at the Institute of Directors in London on Monday 13 June 2005.

Emmons Engineering

Worthing company Emmons Engineering Limited was the second to achieve ISO9001:2000 certification under the PCG (QS) scheme.

Formed in 1985, the company offers automation engineering services to automation system suppliers and other clients within the energy, food, mechanical handling, oil and gas, petrochemical and pharmaceutical industries.



Managing director Bill Butland explains his reasons for deciding to embark upon PCG (QS) certification. "The objective was to enable Emmons Engineering to gain access to preferred vendor lists with end users, so that it could tender for project work," he says. "I felt that it

would improve the company's image by demonstrating that we work within an internationally recognised quality management system, and that it would give us a marketing advantage when seeking work through agencies. Having to define business procedures would facilitate further development of the business."

According to Bill, clients have reacted favourably to the Quality Commitment and Code of Conduct documents that they have

been given. "They now know how seriously we undertake participation in their projects," he says. "As a beta tester, we developed a number of processes used not only by us but also by other members of the pilot group.

"We hope to develop a design add-on to the current system, in order to offer our clients a complete design and validation service that is encompassed within our ISO9001:2000 certification.

"Being one of the first companies through the PCG (QS) scheme meant that there wasn't really a mentor to whom we could turn, and that was hard at times," Bill continues, "but I learnt a lot about myself, my company and how to use a professional quality management system to improve the way in which the business operates in the marketplace. I would certainly encourage any freelance business that sees a need for or an advantage to having ISO9001:2000 to go for it."

For further information, see www.emmonsengineering.co.uk



Norbite

Since its inception in 1994, London-based Norbite Ltd has been providing freelance software design and development services to corporate and central government clients, specialising in Microsoft .NET and SQL Server technologies.



According to director Grant Wickman, the rewards can be high for .NET architect contracts, but there is strong rivalry for the top rates and any competitive edge is worth pursuing. "I decided to join the PCG (QS) scheme as a founder and beta tester because I believed that certification would

have some appeal with my risk-averse client base," he says. "I also believe that it has the potential to help my business grow."

Norbite passed its certification audit and achieved certification at the end of March. "The business has proven that it has the management processes in place to provide a world class service," says Grant, "as endorsed by an internationally recognised certificate of quality. Our internal processes have improved enormously, and by committing to a process of continual improvement, I am determined to help ensure that the business keeps moving forward. My current client is very pleased with the efforts being made in this regard.

"I have been impressed by the sheer effort put in by the scheme administrators and the quality consultants. The use of a web-based document repository has also been useful," Grant continues, "and my advice to anyone joining the scheme is to make good use of the PCG (QS) forum and the dedicated discussion board; both are useful resources and help a lot when faced with important decisions."

For further information, see www.norbite.com

KIC Computing

On 20 April, KIC Computing Ltd became the fourth PCG member company to achieve ISO9001:2000 certification through the PCG (QS) scheme.

Based near Market Rasen in Lincolnshire, the business was established in 1995 to provide a range of information technology services, including bespoke software development, analysis and design, the configuration of network solutions and custom-built computer systems, and maintenance, upgrade and support services.



Managing director Ian Cumber is very pleased to have ISO9001:2000 certification for his company. "One of our reasons for going through this process was to improve KIC's

standing and the perception of it in the marketplace," he says.

"Although the company specialises in bespoke software development, we find that there is little demand for these services within our current geographical location," Ian explains. "We want to expand the consultancy, website and IT support aspects of the business locally and feel that having ISO9001 certification will give us a competitive edge. We believe that our certification demonstrates our commitment; it shows that we are not a 'here today gone tomorrow - fly-by-night' company and that we take our business and our clients seriously. The process has certainly focused our attention on customer support service activities; asking a client to complete a satisfaction survey can prove both rewarding and eye-opening.

"We would like to have the chance of undertaking projects in the public sector, for local authorities, schools and colleges, for example, and ISO9001 certification is of course usually a prerequisite," Cumber continues. "Also, we have had a long-standing relationship with a large research company that has a major presence in the defence market and whilst there is no obligation right now for us to have ISO9001 certification in order to do business with them, we believe that it will be only a matter of time before that becomes a mandatory requirement. We felt that it was important to seize the initiative and achieve the certification before reaching this point."

For further information, see www.kiccomp.co.uk



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The value of freelance networks

According to John Knell, co-founder of Intelligence Agency, tomorrow's winning businesses will be those that have built up a bank of key freelancers and trusted advisers that they can use to leverage value and ideas into their businesses. "They will have built freelance relationships of real quality and trust," he says, "that allow them to be agile and competitive."

PCG member Matthew Billingham was the SAP Development Manager at Coats plc in late 2001. When the requirement arose to build interfaces between SAP and a legacy system for their US operations, it was decided to split the project into two, with the UK office handling the SAP data extraction, and the US office managing the legacy elements.

As a former contractor, Billingham decided to use freelancers for the UK side of the project. "I picked fellow PCG member Jon Bowes as project lead," he says, "because I had worked with him before and knew that he was very competent. On his recommendation, I also engaged Furqan Khan, another PCG member. The third member was recruited via the PCG portal, and the fourth via an agency."

A major benefit of engaging PCG members was that they all used the standard PCG direct contract. "I would be able to get rid of them with immediate effect," he says, "whilst they were tied in until the end of the project. They also had to provide their own equipment, in the form of laptops. I was able to secure good pay rates for them – this was in 2001, and we were paying 1999 rates – to ensure quality and commitment."

Billingham left Coats before the project was finished, but says that it was gratifying to learn, a few months' later, that his chosen team had delivered early, under budget and to quality. He is now freelancing again, through his company Yireh GmbH, based in Switzerland.

Jon Bowes, whose company is Kinetic Experience Limited, confirms that the project goals were achieved on time, using just over 50 per cent of the budget. "When I returned to the site some time after the

implementation," he says, "I was told that some of the code I'd developed had required no changes for at least 12 months after the system went live.

"In my experience, engaging a network of contractors directly can result in higher rates for the contractors and better quality for the client," says Bowes. "A large proportion of my company's contract work is sourced in this way; I was not interviewed for my current contract, because decision-makers in the organisation already knew me."

"Freelance contractors clearly have a valuable role to play in complementing the permanent workforce. When the demands of specific projects are highly variable and lead times short, a team of highly skilled and competent freelancers can provide the level of responsiveness and agility needed to deliver the desired results."

*Hizmy Hassen
European Supply Chain Manager, Coats plc*

Khan is the principal consultant at Paksoftware Services, which specialises in system design, development and programming, and has over 25 years' IT experience in the manufacturing, oil, petrochemical, aviation and banking sectors.

"As a freelance contractor, I enjoy the challenge of new assignments, being able to work with different teams, transferring ideas, skills and positive attitudes," he says.

Hizmy Hassen, the European Supply Chain Manager at Coats plc, says, "Freelance contractors clearly have a valuable role to play in complementing the permanent workforce. When the demands of specific projects are highly variable and lead times short, a team of highly skilled and competent freelancers can provide the level of responsiveness and agility needed to deliver the desired results. We were very pleased when Jon Bowes' team completed the SAP interface project within time and well within the budgeted cost."

A novel approach to winning work

In freelance contractor parlance, being out of contract is referred to as being "on the bench". It was in this unhappy state that contract project manager Robert Menlove found himself a couple of years ago.

Approaches through agencies, the local Job Centre, newspaper advertisements and careers consultants proved fruitless, so Menlove, being a positive sort of chap, decided to try an unusual tack. Suited and booted, he braved the morning rush hour from 5:30am at Winchester station, handing out leaflets with eye-catching slogans to commuters.

"I wanted to get to the people who might make a difference," he says, "and so I targeted professional commuters. Delivering an instant sales pitch on platform 2 at Winchester was an unusual challenge. People were amazed at the novel and innovative idea, and were generally very pleasant, although of course some were too busy or rushed to listen. One minute I would be explaining my skill set, the next a business card would be shoved in my pocket."

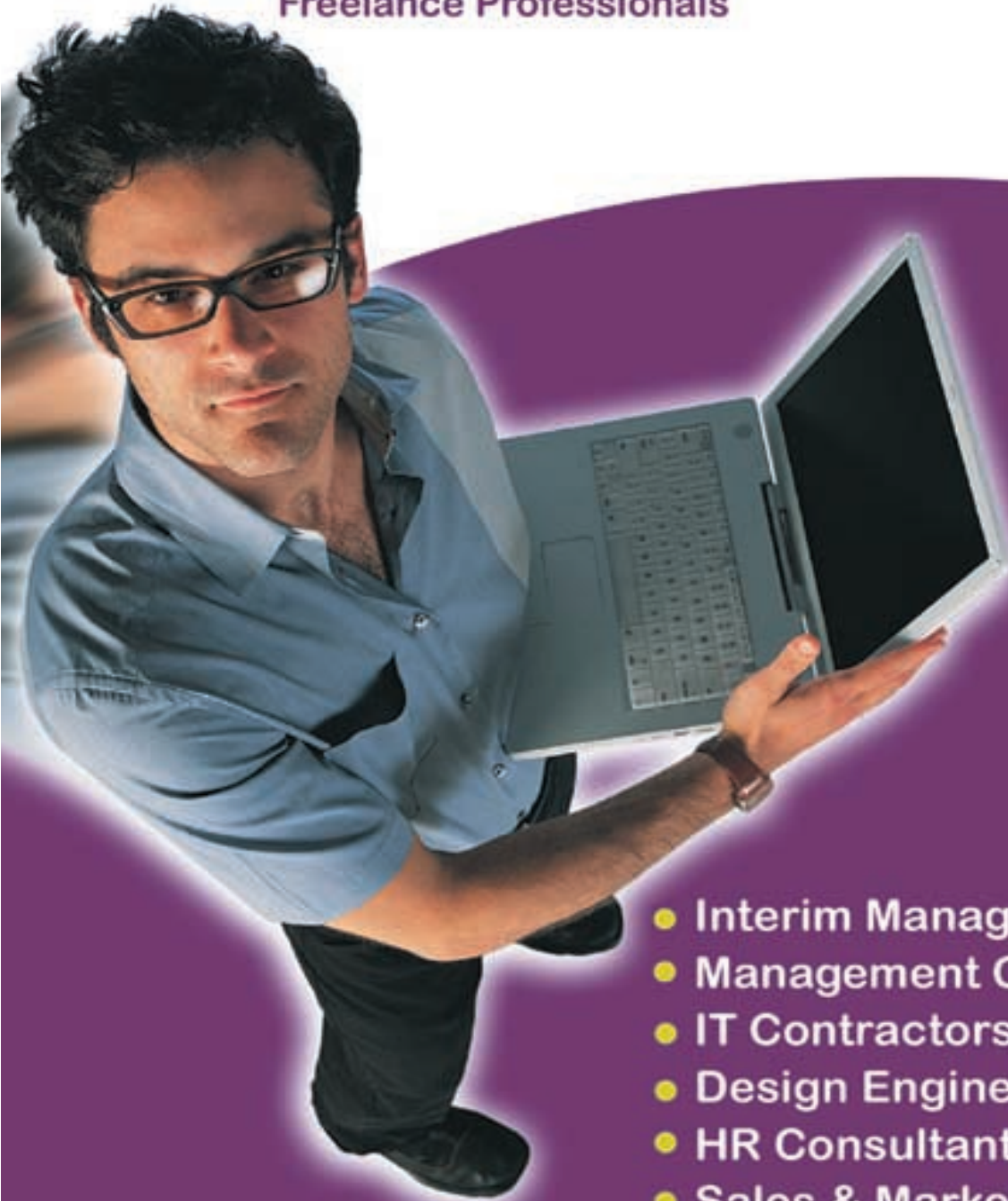
With the help of an unemployed purchasing and supply manager, he also set up the Hampshire Careers Network, a self-help executive club aimed at bringing out-of-work professionals together to share ideas, inspire each other and help maintain morale.

Menlove's novel approach attracted media interest, and he was interviewed on radio and television. It was, however, newspaper coverage that directly led to his winning a project at global logistics company DHL. On Menlove's recommendation, another five freelance contractors were engaged to work with him as a team on an 18-month project.

A firm believer in the power of networking, Menlove says, "It is not what you know, but whom you know and whom they know. My current contract came about after I had emailed everyone in my address book. Three weeks' later, a call from someone who was part of the Hampshire Careers Network two years ago led to an interview and another contract for me."

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Engaging a freelancer

For a flexible workforce with the right skills when you need them and no strings attached, freelancers can be ideal. Whether it's for a specific project, some particular expertise, or to meet a temporary peak in your resourcing requirements, engaging freelancers makes good business sense.

Freelancers are the perfect complement to your permanent workforce, and could be just what you need to facilitate profitable and low-risk growth in your business.

The benefits of using freelance resources

- ◆ **Staffing flexibility**
Manage requirement uncertainty and take advantage of rapid, low-cost hiring and/or obligation-free downsizing.
- ◆ **Access to high calibre professionals**
Expert consultants are notoriously difficult to find and often harder to afford. Most are committed to project-based work where they can use their skills and experience.
- ◆ **Knowledge transfer and best practice**
that freelancers bring into your organisation for the benefit of your permanent staff. Their experience is often enriched and enhanced by working for several clients.
- ◆ **Meeting project deadlines**
Freelancers usually have the experience, knowledge and expertise to be able to contribute and add value from the outset, and are free to focus solely on the task in hand.
- ◆ **Cost-effective deployment**
Independent freelancers provide a genuine low-cost solution, without costly overheads to support or the burden of employment costs and responsibilities. Freelancers are project-focused, so that you pay only for the time it takes, or for performance of the agreed task or project.
- ◆ **Value for money**
Freelancers generally charge hourly or daily rates based upon their skills, experience and expertise. Whether self-employed or operating through their own limited companies, they take care of their own tax and NI payments, pensions, holiday pay and the like.

Tax and employment status

New tax rules came into force in April 2000 that potentially affect freelancers who offer their personal services through a company. The IR35 rules mean that in certain circumstances a freelance contractor may be viewed as a "disguised employee" by HM Revenue and Customs (HMRC) and taxed accordingly. This has implications for organisations wanting to hire freelancers.

First and foremost, it is essential to have a **contract for services** with the freelance business, not a **contract of service** or employment contract with the freelancer himself. This contract should include the following elements:

- ◆ A substitution clause allowing the work to be performed by another person provided by the freelance business; there will usually be terms relating to right of veto, suitable qualifications and so forth.
- ◆ A clause specifying that there is no "mutuality of obligation" between the parties; in other words, there is no "obligation, on the one hand, to work and, on the other, to remunerate."
- ◆ A clause stating that the freelance personnel will not be subject to supervision, direction or control as to the manner in which they render the agreed services; freelancers are professionals who will use their own initiative as to the manner in which the services are delivered.

The good news is that PCG members have access to draft contracts that address all these issues and have been vetted by experts in employment status, tax and commercial law. Through PCG's Approved Contract scheme, several agencies also offer standard contracts that have been checked and approved by experts; if you are engaging freelancers through an agency, be sure to ask whether they have standard contracts that have been approved by PCG.

The benefit of entering into such an agreement is that it removes all potential ambiguity about the employment status of the freelance contractor, eliminating any possibility of employment rights being claimed – holiday and sickness pay, redundancy and so forth.

Under Section 134 of the Income and Corporation Taxes Act 1988 an agency has to deduct tax at source from workers' pay in most cases unless they are limited companies, so self-employment is not a sensible option for agency workers.

If going direct, you need to be careful of engaging self-employed freelancers operating as sole traders or through partnerships rather than as limited companies. You could be liable for payment of Employer's NI and income tax in the event of a challenge from HMRC over the freelancer's employment status.



Other tips for selecting and working with freelancers

If you are going to engage freelancers directly, here are some points worth thinking about:

- ◆ You should check not only their technical skills and/or ability to undertake the work, but also their team fit, if they are going to be working on site. A face-to-face interview is a good idea.
- ◆ Remember that freelancers live or die by their reputations. Ask for recommendations from other freelancers and business contacts. Over time, build your own bank of key freelancers and trusted advisers that you can turn to; if they can't do the work themselves, they usually know someone else who can.
- ◆ If you make a mistake and select the wrong person, you need to be ruthless. Let him go. If teamwork is essential to the success of your project, you cannot afford to have someone on board who is not a team-player or is unproductive or incompetent. You don't need to worry about developing or training a freelancer, or getting involved in political battles. Say goodbye.
- ◆ Some accounts departments have difficulty in paying freelancers on time. Make sure that yours doesn't fall into this trap; after all, you expect the top talent you've hired to abide by the terms of the contract and you should do likewise.

Matthew Billingham, who has worked as an employee and an independent consultant for companies such as Eurotunnel, Vodafone, British Gas and Coats plc, has this additional advice, "If you are building a freelance team for a particular project, get at least one really good guy on - the money is worth it."

"Once you have made your selection, I recommend that you use one of the PCG standard contracts, and ensure that it has a zero notice period. That reduces your risk if the freelancer doesn't work out, for whatever reason."

IR35 CONTRACT PROBLEMS?

SQ Computer Personnel are proud to offer their contractors pre-approved contracts for IR35 insurance with QDOS and ACCOUNTAX.

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Agency matters

Practicus joins the Contract Approved ranks

Earlier this year, Affiliate member Practicus signed up for the PCG Approved Contract scheme and passed its stringent tests.

Based in Henley-on-Thames in Oxfordshire, Practicus is a specialist resourcing company dedicated to the provision of high quality interim management and technical practitioners within IT.

Its focus is on the provision of true practitioners, whom it describes as professionals who make the difference between success and failure in achieving corporate objectives.

A member of the Recruitment & Employment Confederation (REC), Practicus is also ISO9001 certified, a recognition of the commitment made to providing an exceptional level of service to its clients and candidates.

Practicus has engaged an independent organisation, BenchmarQ, to solicit the views of its clients and contractors objectively and thus ensure that the organisation is maintaining and constantly improving its service levels.

Boyd Kershaw, a director at Practicus, said, "Having PCG validate our contract as IR35-friendly and offering it as an insurable entity helps give our contractors confidence that they are making the right decision to work through our organisation.

"The PCG Approved Contract is a must for any contractor, whether they're a member of PCG or not. PCG's scheme provides both the employment business and the service provider with confidence at a time of considerable change within our industry."

For further information, see www.practicus.co.uk

ATSCo and REC

An alternative to the Approved Contract scheme is the standard contract that was agreed with the Association of Technology Staffing Companies (ATSCo) during 2003. ATSCo is the body representing agencies that supply IT contractors. The contract is available for use by all ATSCo registered agencies and whilst they are not obliged to use it, they can draw comfort from the fact that it has been checked and approved by ATSCo and PCG lawyers.

In a similar vein, PCG is working with the Recruitment & Employment Confederation (REC) to produce a mutually acceptable contract. REC is the trade association representing recruitment agencies and has 6,000 corporate members and 5,000 individual members. As with the ATSCo contract, whilst there will be no compulsion on agencies to use it, they should not find it unacceptable, given that it has been agreed with their trade association's legal advisers.

For further information, see www.atsco.org and www.rec.uk.com

Approved Contract FAQ

PCG introduced its Approved Contract scheme to facilitate the availability of standard, commercially sound business-to-business contracts suitable for freelance businesses operating outside IR35.

How does it work?

An Affiliate member agency may sign up to the scheme, for a modest fee, and submit its standard contract to PCG for review. PCG then arranges IR35 status and commercial terms reviews, which are conducted by independent experts.

Any improvements required will be highlighted in the reviews and communicated to the Affiliate for consideration. After any recommended changes have been agreed and implemented to PCG's satisfaction, the standard contract will be given the PCG stamp of approval.

What should I expect if an agency gives me a PCG "Approved" contract?

The contract may carry the PCG "Contract Approved" logo, provided that it is accompanied by an up-to-date and unaltered official fact sheet from PCG outlining the terms and conditions of use. The contract and fact sheet should bear a matching unique contract reference issued by PCG. If in doubt, please contact PCG.

Does this mean that PCG recommends the agency?

No. PCG approves the contract, not the agency. It is, however, worth noting that as an Affiliate member, the agency will have undergone some basic checks to make sure it is a bona fide business, has the correct registered address, can produce references or has a reasonable credit check and that PCG does not have any information that gives them serious concerns about the agency.

PCG does not vet whether they ask for references, whether the agency's junior staff refer to "employers" rather than "clients", or whether they demand passport ID or anything else. Members may, however, share their experiences of dealing with particular agencies via the Client/Agency Matters discussion forum on the PCG website.

What are the benefits for PCG members?

- ◆ Peace of mind, knowing that you are working to an IR35 resistant contract with reasonable commercial terms
- ◆ The ability to start work straight away, with sound contractual arrangements in place
- ◆ The option to request a free individual review from PCG's nominated tax experts if they have negotiated minor amendments of their own

- ◆ The option to purchase a no-quibble tax and penalties guarantee from one of PCG's partners, at a discounted rate

PCG director Chris Woollacott says, "The Approved Contract scheme is a real step forward because we are influencing agencies to improve their contracts. Typically, a contract will fail or be marginal on both the IR35 and commercial terms checks but, with some simple changes, we will significantly improve it before it becomes PCG approved."

What are the benefits to agencies?

- ◆ Freelance contractors and consultants prefer to work with those agencies that recognise the implications of IR35
- ◆ Having an IR35 resistant standard contract will save time and money
- ◆ Supporting PCG in representing the freelance community and taking it seriously will be seen as a positive attribute

Do I have to be a member to use an Approved contract?

No, you don't. The scheme is designed as a package though, and if you would like the free additional review and discounted tax and penalties guarantee, you should consider the excellent value that these and other member benefits offer from just £120 a year.

For further information, see www.pcg.org.uk/acs



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Tax blow for family businesses

On 27 April, the High Court rejected Geoff Jones's appeal against the Special Commissioners' ruling which deemed him liable for tax under Section 660A. The case had been heard before Mr Justice Park, from 15 to 17 March, with Malcolm Gammie QC acting for the Joneses and Rupert Baldry QC for the Revenue.

Mr Park delivered his decision by reading out a draft judgment, rather than waiting to hand down the formal judgement, because of the interest that this case had generated.

At the original hearing in June 2004, the two Special Commissioners had been unable to agree, and the presiding Commissioner, Dr Nuala Brice, used her casting vote in favour of the Inland Revenue. Despite a request from Malcolm Gammie QC, Mr Park declined to comment on this matter, on the grounds that the scenario of two Special Commissioners disagreeing so thoroughly would arise only rarely and that it would be preferable for the matter to be decided on a later occasion if one occurred.

Commenting on the facts of the case, he observed that while Mrs Jones's contribution to the business was valuable, and that indeed the company could not have operated without it, hers was nonetheless a subordinate contribution and was not essential to the profitability of the business.

He identified two key issues; whether there was a settlement or arrangement in the meaning of the statutes, and secondly, if there was, whether it was excluded as an "outright gift". He agreed with Dr Brice that Mrs Jones's dividends were in fact income arising under an arrangement, and also that the exemption in Section 660A (6) should not apply, although not exactly for the same reasons as she gave in her decision.

He commented that this was not a simple outright gift, but a more complex arrangement of which the share itself was only one element. Although Mrs Jones bought her share in the company with one pound of her own money, and thus no gift was made at all, his reasoning would also apply to situations where the share was gifted by the spouse rather than subscribed for. His judgment therefore covers the scenarios of shares having been bought by both spouses at the outset, and of shares having been gifted subsequently.

Analysis

PCG's view is that the judgment was a broad one with wide-reaching implications, which leaves the self-assessment tax system undermined by a lack of clarity. Hundreds of thousands of family businesses across the UK still face a highly uncertain tax position.

Dave Smith of Accountax Consulting said that some of the legal arguments developed during the hearing did not seem to be addressed in the judgment, and a number of very important questions were left open, such as the intention and purpose of the legislation, and also, what constitutes a market salary.

Tax expert Anne Redston echoed his concerns. "The logic of this judgment demands that family businesses must be able to prove that they pay salaries in line with the market rate," she said. "To prove this, they must not only be able to demonstrate what the market rate is, but may also have to keep a record of the hours they work. This can only increase the bureaucratic burden on small businesses as well as the increasing the uncertainty of the tax system." Ms Redston said that despite Mr Park's view that this would not affect shops where both parties worked together, it seemed to her that it could be relevant where the spouses worked different hours from each other, and that despite his attempts to reassure them, hundreds of thousands of small businesses had reason to be concerned.

"Having said that," she conceded, "if the Inland Revenue were to define what level of contribution by the second spouse is sufficient for the legislation not to apply, this would be very helpful. Particular areas of uncertainty include situations where neither spouse receives a market salary, or where he or she changes the contribution she makes to the business, or where the business has retained capital, or where the spouse also spends some time in the market place." Ms Redston added that as the judgment also dealt with gifted shares, it reinforced the Revenue's position considerably. "The certainty and clarity that one would expect from a self-assessment tax system is certainly still lacking in light of the judgment," she said.

PCG chairman Simon Juden said, "This is a bitter blow, not just to Geoff and Diana Jones, who've had to endure years of uncertainty, but also to the hundreds of thousands of small family businesses who've shared the risk and the hard work of running a business, expecting to share in the rewards.

"PCG will continue to campaign for clarity, consistency and common sense in regulation and legislation. We will deliver clear guidance to our members about their likely risk following this judgment, and what actions they should take."

About Section 660A

Section 660A, known as the "settlements legislation", has been around since the 1930s. It is wide-ranging, and deals with situations where income arises from something, such as shares, given by one person to another. This is called a "settlement", and the aim of the legislation is to



Geoff and Diana Jones with Simon Juden at the High Court.

stop people settling their income on another person who pays tax at a lower rate.

Guide to IR35

PCG launched a revised version of its Guide to IR35 in April, and it is available for download to all members via the website.

The Revenue's successes since the previous edition include the Usetech judgment, in which PCG supported Bill Hood's battle with the Revenue, and the Future Online and Netherlane cases, neither of them supported by PCG and neither especially helpful. All of these cases have, however, provided further clarification in the areas of Control and Mutuality of Obligation. Along with the right to substitute, the issues have been emphasised within the new Guide as the "Big Three" factors in determining whether or not a contract falls outside IR35.

All three cases have also elaborated further on the issue of the relationship between the upper and lower contract. It still cannot be said categorically that the upper contract, when unseen by the contractor, will not determine their IR35 status, but an unseen "upper" clause will only occasionally prove lethal. Another trend addressed in the new Guide is that of clauses in the lower contract "importing" clauses from the upper.

The Guide contains two totally new sections, including one focusing on "real arrangements" letters. While some members find the idea of using such letters to elaborate on the contract counter-intuitive and unhelpful, it remains PCG's advice that it is worthwhile to obtain them and that their worth has been proved time and again in court. Accordingly, a new Appendix to the Guide contains some sample letters, with a brief note which can be given to end-users explaining the merits of signing such a letter. The other new section deals with approaches by the Inland Revenue to end-users and outlines what the Revenue can legitimately ask for and the channels by which it can do so, as well as steps a contractor might take to counter this.

IR35 remains a complicated area of the law. It is, however, definitely possible to work outside it and the new edition of PCG's Guide will be a valuable tool in allowing members to do so.

Barclays funding for PCG (QS) participants

Last year, Barclays Bank agreed a special loan package for PCG members wishing to spread their initial investment in the PCG (QS) ISO9001 certification scheme over 12 months.

The deal features a low (8% per annum) fixed rate of interest and a single point of contact for the application. Although the usual mandatory credit checks will still be conducted against the member's company before a loan is granted, the requirement itself is pre-approved and members will simply need to supply evidence that they have registered for the scheme in justification.

PCG (QS) scheme fees for the first year are £1,300 but members may borrow up to £2,000 for participation, should they wish to defray other overheads that they might incur in achieving certification.

According to one member, who recently applied for a Barclays loan, "I've long believed that ISO9001 would be a benefit to my business and allow me to bid on projects within larger organisations. I've also been close to buying in a document management system.

"PCG (QS) brings both together in a convenient package. The key remaining obstacle of funding has now been resolved, thanks to the Barclays business loan offer.

"I'm pleased to participate in the PCG (QS) programme as now I can spread the time and costs over the first year. The approval cycle was very smooth. Thanks very much for setting up a scheme tailored to independent contractor needs!"

Exclusive Barclays banking package for PCG members



PCG has worked closely with Barclays Bank to negotiate the provision of a banking package specifically for PCG members, which was launched in April.

Commenting on the launch, chief executive John Thomas said, "Well over 500 members responded to our online

banking survey and told us what they wanted from their business bank. We're naturally delighted that Barclays Bank was able to offer our members a package tailored specifically to meet the needs articulated by so many of our members."

Loiuse Fowler, Small Business Marketing Director at Barclays Bank PLC said, "Every week, over 1,400 small businesses choose Barclays as their business bank. We want to make banking as easy and convenient as possible, with services that go beyond providing a bank account. That's why as well as well access to your money whenever and wherever you need it we provide access to a comprehensive range of expertise and support.

"We had already developed a training loan specifically for members wishing to participate in the PCG (QS) ISO9001 certification scheme," she continued. "We have now built on this to create a full banking offer, exclusively for PCG members. There were a number of recurring themes in members' responses to the survey conducted towards the end of 2004 – the desire for a preferential savings rate to recognise and reward their worth, minimal day-to-day banking costs, online management of their finances and an efficient and convenient banking service. We believe that our package reflects this."

The Barclays exclusive package for PCG members incorporates the following features and benefits:

- ◆ Dedicated relationship manager trained to understand the financial needs of contractors and freelancers

- ◆ Free¹ automated transactions: direct debits, standing orders, online banking transactions, automated telephone banking transactions, cash withdrawals by card via ATMs, transfers between your Barclays accounts, card payments and statements
- ◆ Low-cost tariff (please refer to the full tariff sheet for details of all charges)
- ◆ Free² online banking, with the facility to view balances, make transfers, pay bills, manage standing orders and direct debits, transfer money between your accounts, create future payments and download account information directly into accounting software
- ◆ Telephone banking service for extended hours of service: 07.00 – 23.00 weekdays 09.00 – 17.00 weekends
- ◆ Exclusive savings account with competitive savings rate of 3.45% gross³ / 3.46% AER⁴ (variable in line with Barclays Bank base rate), easy access, unlimited withdrawals, interest paid quarterly, no minimum balance
- ◆ Free business debit card
- ◆ Company charge card, free of fees for the first 12 months, with purchase protection, extended warranty, misuse insurance, personal travel accident cover, travel services, and discounts from a range of suppliers, such as AA, Best Western and Dell



Full details of the package and an online application are available to members at www.pcg.org.uk/resources/BankingServices.html

¹ Provided that no more than 20 credits or 20 debits are made per month. If more than 20 credits or 20 debits are made during any one month the standard tariff rates will apply. For full details please see the tariff fact sheet on our website.

² Does not include call charges.

³ Gross Rate is the contractual annual rate of interest payable before the deduction of income tax, at the rate specified by law (the 'specified rate').

⁴ AER (Annual Equivalent Rate) is a notional rate which illustrates the contractual interest rate as if paid and compounded on an annual basis.

PCGPlus: Mining the Ashridge jewels



Since the launch of PCGPlus last December, over 1,500 PCG members have taken up the premium level of membership. In addition to the standard membership benefits, PCGPlus includes PAYE Audit Cover, the Creditsafe Fee Recovery Service, access to the 24-7 business information portal, and access to the Ashridge Virtual Learning Resource Centre (VLRC).

The VLRC provides PCGPlus members with valuable access to the online library and resource centre of one of the UK's leading business schools. Ashridge is widely recognised as a leading provider of executive education and development to individuals and organisations across the public and private sectors. The VLRC itself is used by over 100 leading organisations including British American Tobacco, British Broadcasting Corporation, Guardian Newspapers, Lloyds TSB, Whitbread and Xerox Europe.

This element of the PCGPlus package was introduced after nearly one third of respondents to PCG's annual membership survey in 2004 expressed major and serious concerns about continually updating their skills and capabilities; sometimes this is a reflection on time available or accessibility of quality information.

Surveys have shown that PCG members use a wide range of learning styles, and the VLRC will particularly appeal to those who want to learn independently, in their own time and at a pace to suit their individual circumstances. It will also complement other forms of personal development. Most importantly, it offers an ideal way to stay informed of the very latest in leading management thinking.

Through the VLRC, PCGPlus members can access top quality Ashridge learning materials

and valuable information, as well as carefully selected external resources including over 50 innovative learning guides.

Approximately 30 pages long each, these learning guides provide a wealth of information that includes established theory and models, the practical Ashridge approach, and details of resources recommended by tutors. Each has a variety of practical development activities, self-assessment questionnaires, case studies and exercises. They are ideal for personal development, research before a meeting or to gain in-depth understanding of a current issue.

"Surveys have shown that PCG members use a wide range of learning styles, and the VLRC will particularly appeal to those who want to learn independently, in their own time and at a pace to suit their individual circumstances."

Topics covered by the learning guides include, for example:

- ◆ Benchmarking
- ◆ Competitor analysis
- ◆ Customer relationship management
- ◆ Facilitation skills
- ◆ Interpersonal skills
- ◆ Investment appraisal
- ◆ Marketing strategy and planning
- ◆ Meeting skills
- ◆ Negotiating skills
- ◆ Presentation skills
- ◆ Strategic awareness
- ◆ Team building/ team working
- ◆ Writing a business plan

Through Ashridge's partnership with Pocketmanager.com, the VLRC also provides users with access to over 50 titles from the popular and well-established Management Pocketbooks series. These are just a few of the titles that may be of particular interest to PCG members:

The *Decision-making Pocketbook* explains how to make balanced choices that address needs and the real issues, choices that minimise risks and add value. It covers everything you need to know on the subject, from understanding the key components of a decision to a framework for decision-making with methodologies and case studies. It also looks at the differences between individual decision-

making and reaching consensus within a team. Techniques to help you analyse the risks, identify possible outcomes and make informed choices are described. One reader remarked: "A pragmatic approach, showing how to ensure management by design rather than chance."

Anyone you might want to contact in the world is only five or six people contacts away from you, maintains Jon Warner in *The Networking Pocketbook*. He sees networking as a major social and life skill that can benefit both our working and personal life. The *Networking Pocketbook* details the four basic steps that lead to effective networking relationships, the so-called LINK: Learning (about needs, ours and other people's); Investing (making strong contacts); Nurturing (achieving a deeper relationship); and Keeping (maintaining the momentum).

As the author leads readers through these four basic steps, he progressively describes the seven key competencies needed for effective networking. These competencies relate to temperament/disposition, strategic planning, organisation, nurturing, communications, socialising and persistence. "Encouraging advice for those short on networking confidence," says *Management Today* journal.

According to the *Personal Success Pocketbook*, the definition of success is different for each person. No matter how you define it, there are ways to help you achieve more of what you want from life. Author Paul Hayden, who has also written the popular *Learner's Pocketbook*, stresses the need to identify your personal motivators and drivers, and establish what your priorities are. Then you can plan your goals, and the necessary actions. The book is built around a 'Plan, Act, Review' structure, and contains questionnaires and activities to get you thinking.

The *Managing Cashflow Pocketbook* stresses the importance of proper cash management and how this impacts on running a business. Reconciling profit to cash, improving cashflow and managing working capital are central issues.

In addition to these valuable resources, which will enable PCGPlus members to enhance their own skills, the VLRC also offers specific industry trends, ideal if you want to quickly refresh your knowledge or gain a quick insight into a new industry.

The VLRC is available to valid PCGPlus members via the website at www.pcg.org.uk/membership/pcgplus/access/



Cooperating, influencing and contributing

Cooperating with complementary associations and organisations forms an important part of PCG's work to influence policy and disseminate information to a wider audience.

John Thomas and Simon Juden attended an Institute of Directors (IoD) dinner at the House of Commons in March and an event hosted by the Institute of Interim Managers (IIM) in association with PricewaterhouseCoopers. With director Richard Robson, they also spoke at a BCS North London seminar, "IT's Contracting - For Fortune, Fame or Famine?" on 18 May.

Meetings have been held with Association of Technology Staffing Companies (ATSCo), the Recruitment & Employment Confederation (REC), the Management Consultancies Organisation (MCA), Intellect, the Forum of Private Business (FPB) and the Federation of Small Businesses (FSB). PCG chief executive John Thomas says, "Our work with complementary organisations is extremely important and useful in that it allows us to explore common ground, inform and influence policy, raise our profile and develop a greater awareness of PCG's activities."

As a member of the Trade Association Forum (TAF), which encourages the development and sharing of best practice among UK trade associations and promotes the role of effective trade associations to government, industry and the wider public, PCG has the facility to publish its press releases and news stories on TAF's website.

PCG is contributing to a book on freelancing that is to be published by the Chartered Institute of Personnel and Development (CIPD), aimed at HR managers and line managers who want guidance on engaging a freelance workforce. It also has reciprocal arrangements with Top-Consultant, Contractor UK and others for publishing news and events material in newsletters.

It makes regular editorial contributions to

publications such as the BCS ITNOW magazine, and has also provided articles for AccountancyAge, the ATSCo Technology Staffing Handbook and the IoD's Growing Business Handbook, to name a few.

No less important is PCG's contribution to charitable causes and the wider community. A PCG team participated in the ATSCo Championship Quiz night on 21 April; this was hosted by Heart FM's Jono Coleman and proceeds went to the NSPCC.

On 23 September, PCG will field a team to participate in Byte Night, the IT sector's annual sleep-out in support of the NCH, the children's charity, and its vital work with vulnerable young people who are homeless or coping with life after care.

Speaking out

PCG welcomes the opportunity of meeting new organisations, providing expert speakers for events and contributing editorial for newsletters, magazines and other publications. Areas of expertise include:

- ◆ IR35: the intermediaries' legislation

- ◆ Section 660A: the settlements legislation
- ◆ Setting up a freelance business
- ◆ Marketing your freelance business
- ◆ Better client relationships

Please contact PCG on 0845 125 98 99 or by email at admin@pcg.org.uk if you are interested in discussing speaking engagements or editorial contributions.

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The art of questioning and listening

No matter what their specific role, most business owners need to be able to sell. There are many myths associated with selling, one of the biggest being that it takes the 'gift of the gab' to succeed. The reality is that being a good listener is far more important than being a good talker.

As Stoic philosopher Epictetus (55-135 AD) observed, "We have two ears and one mouth so that we can listen twice as much as we speak." Effective listening is driven by attitude, rather than technique; it is much easier to really listen and take in what the other person is saying if you are genuinely interested.

Only by asking questions and listening carefully will you discover the prospective client's real needs. If you have ever been at the receiving end of a poorly trained kitchen or double-glazing salesman, you will know how it feels to be talked at and sold to when you would prefer the salesman to ask the right questions, listen to your specific requirements and check that he

understands them correctly, before proposing a solution. Good and insightful questions will also demonstrate to the client that you know what you are talking about, and this ultimately increases confidence in your ability as well as building trust and rapport.

**"He who asks
is a fool for five minutes,
but he who does not ask
remains a fool forever."**

Chinese proverb

Questioning is an important part of the information gathering process in selling. As one Chinese proverb goes, "He who asks is a fool for five minutes, but he who does not ask remains a fool forever."

The purpose of questions is to seek specific answers, clarify information, and keep the dialogue on track. By definition, all questions are direct or indirect, open or leading. In a sales context, direct questions are used where you are happy for your client to know the purpose

behind them. Indirect questions, on the other hand, may be used when you fear that the client's subjective attitude to your question might prejudice his answer.

Open questions elicit a qualitative response, and the interrogative pronouns used to frame them are immortalised in the poem that follows Rudyard Kipling's "Elephant's Child":

*I keep six honest serving men
(They taught me all I knew);
Their names are What and Why and When
And How and Where and Who.*

Leading or closed questions expect yes/no or quantitative answers; they are manipulative and are largely used for control. All these types of question have their place at various stages of the sales cycle.

A good listener summarises or reflects back what he has heard, without evaluating or interpreting it. The benefit of this approach is that the speaker knows that the listener has heard and is taking time to understand fully before responding.

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Tax treatment of business expenses

For small business owners, the classification of business expenses as allowable or non-allowable can be a minefield. This article sets out to shed some light on the rules.

Allowable expenses are those costs that you incur for the sole purpose of earning business profits, and may be deducted from your turnover for the purposes of reducing the tax liability of the business; if not totally then at least in part. They include, for example:

- ◆ Goods purchased for resale
- ◆ Wages, rent, rates, repairs, lighting and heating
- ◆ Running costs of vehicles or machinery used in the business
- ◆ Professional fees, interest paid on monies borrowed to finance business expenditure or items, and leasing charges on items used for the business

Non-allowable expenses include costs that you incur for a non-business purpose, such as, for example:

- ◆ Your own personal expenses or drawings
- ◆ Capital costs
- ◆ Costs which are recoverable under insurance

Wholly and exclusively

For expenses paid by the company to be allowable, the basic rule is that they must be incurred wholly and exclusively for purposes of trade. Normally, if an expense results in

“benefit in kind” for an employee, then it is deductible for the company.

If the business is a sole trader or partnership, any private use by the owners restricts the amount of the expense that is allowable for tax purposes.

Expenses paid by the employee are allowable only if they are incurred wholly, exclusively and necessarily in the performance of the duties of the office or employment.

Benefits in kind

Where a company incurs costs or provides assets for the private use of directors or employees, these normally result in a benefit in kind charge, that is, additional income tax payable by the employee and Class 1A National Insurance contributions, currently 12.8%, for the employer.

If a company pays an employee’s personal liability, such as a private holiday for him and his family, this should be treated as salary, incurring tax and National Insurance charges accordingly.

Duality of purpose

HM Customs & Revenue (HMRC) does not regard any expenditure that has a dual purpose element to be allowable for taxation. For

example, a suit or dress purchased to wear at work has a dual purpose in that you need to wear clothing anyway, so tax relief is not available on the expense.

In the famous case of a barrister who claimed the costs of buying and keeping clean the black clothing worn in court, the Revenue successfully argued that although she bought the clothes solely for work, she had to wear them to remain decent. She lost her case.

Capital items and depreciation

A distinction should be made between ‘revenue’ and ‘capital’ expenditure; this article addresses expenses that fall under the ‘revenue’ banner.

Generally, capital items are those items that will have enduring benefit to the company, such as computers, motor vehicles and office furniture. If they are connected to the trade, it may be possible to claim capital allowances over a period of time, based on percentages specified by HMRC, but you may not claim their cost as an allowable expense.

Depreciation is not usually tax deductible either, except for pure finance leases, not commonly used by small businesses.

Legal and professional fees

Fees for preparing your company accounts are deductible as they relate to your trade. Legal fees incurred on taking on a new lease are not deductible as they relate to capital.

If a company pays the cost of an employee's personal tax return, this is classified as a benefit in kind.

The costs of recovering debts, defending business rights, preparing service agreements and appealing against rates on business premises are allowable. Expenses (including stamp duty) for acquiring land, buildings or leases are not allowable.

Subscriptions

Subscriptions to professional and trade associations on HMRC's approved list are allowable, as are trade magazines.

Debts, taxes, penalties and fines

Specific bad debts written off are allowable, whereas a general reserve for bad or doubtful debts is not. If the company is not entitled to recover VAT, the VAT inclusive expense is allowable.

Interest and penalties relating to income tax, PAYE, NIC and VAT are not deductible, nor are fines and other penalties for breaking the law unless a benefit in kind is assessable on an employee. Corporation tax interest under self assessment is deductible and taxable in the company's hands.

Interest

Interest charges incurred to finance the business, but not owners' drawings, will normally be allowable. In certain circumstances, interest on funds borrowed in your personal capacity and introduced into the business will be allowable, provided that it does not involve overdraft or credit card interest, and that you can prove that the money was borrowed for the business.

Entertainment and gifts

Business entertainment is not an allowable expense, nor is the cost of gifts to customers, unless they are £50 or less in value and carry a conspicuous advertisement for the business. Gifts of food, drink, tobacco, vouchers and tokens exchangeable for goods are specifically excluded.

Staff entertainment, such as a Christmas dinner or summer party, is an allowable expense for the company and will not be classified as a benefit in kind for employee provided that the cost per head is less than £150 per annum and the event is open to all staff. Note: This concession is not available to Schedule D (self-employed) businesses.

Travelling and subsistence

An employer may reimburse an employee for travel, accommodation and subsistence costs incurred wholly, exclusively and necessarily for the purpose of the duties of the employment. Travel to a temporary workplace is allowable until the expectation arises that the assignment will last for longer than 24 months, after which it is classified as ordinary commuting and therefore not allowable.

Home to office travel is defined as ordinary commuting, and it is therefore important to establish where the business is being operated from. If you genuinely operate from home, you can normally claim travelling expenses when visiting clients.

Employees who use their own cars for business purposes may claim 40p per mile for the first 10,000 business miles and 25p thereafter in each tax year. Sole traders and partners can alternatively claim a percentage of the actual costs incurred, such as petrol, capital allowances, interest on a loan to purchase a car, insurance, oil, maintenance and road fund licence. The percentage must be justifiable, and therefore it is best to keep a detailed mileage log of actual business and total mileage.

The London congestion charge is allowable provided that it is incurred exclusively for business purposes.

Subsistence up to reasonable levels while away on business is allowed: this will usually cover the cost of a meal with reasonable alcoholic and non-alcoholic drinks; and tea, coffee, and soft drinks between meals.

The cost of overnight accommodation is allowed if solely for business purposes, and the employee may also be reimbursed for incidental costs such as laundry, newspaper and telephone calls home, up to £5 a night in the UK or £10 a night outside the UK.

Subsistence not related to an overnight stay can present problems in terms of the 'duality of purpose' rules: you are expected to "eat to live, not eat to work". There are arguments for claiming such meals, but this is definitely a grey area.

Use of home for work

If you work from home, you may theoretically claim a proportion attributable to business use of lighting, heating, cleaning and insurance, as well as a proportion of rent, business rates, council tax and (in Northern Ireland) domestic rates.

You should be extremely wary of this though, as it could create capital gains problems for you when you sell your home. It may be better to consider claiming a nominal amount, such as £104 a year, instead.

Wages and salaries

You should issue a P60 at the end of the year to support the amounts paid, and ensure that the level of remuneration is justified for the work done, as HMRC may disallow remuneration paid to employees that it considers excessive.

Payments to a spouse should be made to an account in his or her sole name, not to a joint account. Drawings by Schedule D taxpayers (sole traders and partners) are not allowable for tax purposes.

Training

Where the purpose of training is to provide a business owner with new skills, the cost is treated as capital and is not deductible for income tax. If the purpose is to update existing skills, then the expense is allowable.

Where the IR35 rules apply, training expenses may be included within the five per cent allowance for general expenses but not claimed separately in their own right.

Telephone and internet

The cost of a mobile phone is allowable, and if invoiced to the company, there is no benefit in kind, even if there is an element of private use. If invoiced to the employee, then the benefit in kind is assessed on the portion attributable to private use. It is helpful if you have itemised bills to prove the split between business and private use.

The cost of broadband and other internet services is allowable, and if invoiced to the company then incidental use by the employee does not rate as a benefit in kind. If the service is invoiced to the employee and reclaimed, the element of private use by the employee may be treated as earnings.

Private consumption

The sales price of goods funded by the business but taken for private consumption by a sole trader or partner must be taxed as income in your accounts.

Working overseas

Medical expenses incurred whilst working abroad as part of your employment duties can be paid by the company without being rated as a benefit in kind. The same applies to business travel costs involved in sending the employee abroad to do their job.

Insurance

Business insurances are allowable, as are life insurance, personal accident insurance, permanent health insurance and private medical insurance for employees. A sole trader's or partner's own life, accident, permanent health and private medical insurance expenses are rarely allowable.

Important notes

You should ensure that all claims are supported by receipts to justify that the cost was actually incurred.

The rules for what counts as allowable are more generous for self-employed people (Schedule D taxpayers) than for employees.

The VAT treatment of the expenses mentioned here may differ from the tax treatment, and different rules apply to any contracts covered by IR35.

Expenditure is normally allowable within the company's accounting period in which it was incurred. Special rules, however, can mean that revenue expenditure incurred up to seven years before commencing trade may be treated as incurred on the first day of trading.



This information was provided by James Abbott of Affiliate member Baker Watkin, and is furnished for general guidance only. It is highly recommended that you contact a tax professional for detailed advice specific to your particular circumstances. Neither PCG nor Baker Watkin can be held responsible for any loss or damage resulting from the action taken as a result of advice given.

For further information, see www.bakerwatkin.co.uk and www.hmrc.gov.uk

When outsourcing makes sense for SMEs

Many freelancers start out in business trying to do everything themselves, perhaps because they believe that they can manage it all, or because they perceive that it will cost too much to outsource.

Outsourcing is defined as the procurement of goods and services by contract from an outside supplier, and even for a very small business, it can make good sense.

If your business is growing, or you want it to grow, and you have realised that you cannot do everything, then it may be worth considering the merits of outsourcing certain functions, such as:

- ◆ Marketing services, including copywriting, brochure and website design, advertising and direct mail campaigns, production of presentation materials and sales proposal templates
- ◆ Public relations services. Most small businesses cannot afford a full-time PR professional and probably do not need one
- ◆ Bookkeeping and accounting
- ◆ Payroll, human resources and recruitment

- ◆ Telephone answering and virtual assistant and reception services
- ◆ Web hosting and IT maintenance
- ◆ Legal and contractual services
- ◆ Manufacturing, logistics and distribution (if appropriate)

Top tips for smart outsourcing

- ◆ Decide which processes to outsource. The obvious thing is to keep your core competence in-house - those skills which give you a competitive advantage. Consider outsourcing other operations which are not as strategic.
- ◆ Consider carefully what really can be outsourced. Self-contained tasks or projects are better suited to outsourcing, whereas projects that require team interaction or brainstorming generally fare less well.
- ◆ Evaluate the cost of outsourcing compared to the benefits you expect to derive, taking into account the opportunity cost of your continuing to perform that function yourself, and work-life balance factors too. Bear in mind that outsourcing may not necessarily result in reduced costs, but that you may reap the rewards in terms of

increased productivity and revenue.

- ◆ Pick one function to outsource first, and try it. The advantages of outsourcing will vary according to the type of service, the kind of business you run and the quality of your provider, so you should move slowly and commit incrementally. You should not feel compelled to sign a two-year contract, for example, before testing performance and the relationship.
- ◆ Before choosing a provider, ask your contacts for recommendations. Don't walk in blind; consider starting with some paid consulting or a trial task or pilot project to give you the chance to test the provider and the service.
- ◆ Ask the potential supplier about similar work undertaken, and how they operate.
- ◆ Be prepared for challenges. It can take some time to build a relationship with your provider, for them to become familiar with your business and requirements and for the expectations of both parties to be met fully.
- ◆ Don't forget to review and measure your outsourced operations periodically to ensure that you are receiving good value and that it is still worth outsourcing the function rather than bringing it in-house.



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Hanging on the line?

The outsourced reception

Outsourcing has long been an accepted part of running an efficient business. Traditionally, specialist skills like legal services, marketing and IT have been outsourced because it is more cost efficient than setting up an in house team, particularly for the smaller firm. More recently, a new wave of services are being offered for outsourcing, some of which challenge preconceived notions about the set-up of the conventional British office.

One such example of this is the idea of the 'Outsourced Receptionist'; a service that allows businesses to outsource all or part of the receptionist function. At first it may seem an odd concept; the idea of permitting valuable business calls to be answered by someone not in the office, but providers claim that the benefits are numerous and that it is essentially no different from outsourcing other services. It is widely accepted that the way in which incoming calls are handled has a huge influence on customers' perception of the company and business experts say that companies ignore the importance of the receptionist function at their peril.

One such provider of the Outsourced Receptionist service is Moneypenny; founded by brother and sister team Ed Reeves and Rachel Clacher, the firm has recently been listed on the Deloitte Fast 50. Explaining the concept behind Outsourced Receptionist Rachel said, "Moneypenny was set up because we had used existing telephone answering services ourselves and found something lacking. We wanted to develop a service where the person taking the calls has a real understanding of the client's business and is as knowledgeable about the organisation and as accountable as they would be if directly employed by the client. It shouldn't matter where the person answering incoming calls is physically located; it is more important that they are professional, skilled and understand the client's business inside out."



*Moneypenny founders
Ed Reeves and Rachel Clacher*

In many ways outsourcing the receptionist function can result in calls being answered more efficiently since the technology allows the outsourced receptionist to

recognise the numbers of important clients so she will not bother them for telephone numbers or to check the spelling of their name. Certain outsourced receptionist providers offer a service whereby calls can be handled on an individual employee rather than company basis depending on what each person requires.

"Moneypenny was set up because we had used existing telephone answering services ourselves and found something lacking. We wanted to develop a service where the person taking the calls has a real understanding of the client's business and is as knowledgeable about the organisation and as accountable as they would be if directly employed by the client. It shouldn't matter where the person answering incoming calls is physically located; it is more important that they are professional, skilled and understand the client's business inside out."

When a call is diverted, the receptionist can see the diary of the person being called and any additional notes about the individual's preferred call handling method (call to be put through to mobile or landline, message to be taken and faxed, emailed or sent as text message).

For companies with home workers or employees who are on the road a lot, an outsourced receptionist can be a useful asset since, unlike a traditional receptionist, she can transfer calls immediately to any other line (including mobiles and abroad) so callers need never know that a person is working away from the office. An office-based receptionist would usually have to take a message and then contact the person concerned and get them to return the call – less efficient and less professional.

Although for small companies it is often more cost effective to outsource the entire receptionist function, for larger companies using such a service often supports the work of the existing receptionist by transferring calls when she is on the phone, away from her desk, on lunch or off sick. It means that when the

receptionist is away, companies avoid having to employ a temp who has no understanding of the company or having to ask a less experienced member of staff to deal with calls.

Manufacturing company Cytec Engineered Materials Ltd has partially outsourced its receptionist function for two years. Petra Klement, PA to the managing director, explains why it works, "We simply don't have to worry about calls not being answered or being answered by somebody who doesn't really know the company or isn't experienced in answering a busy phone. Calls to reception are the first point of call for many potential clients and so it's imperative that they receive a good impression. If the receptionist is busy or if she's away, the calls simply divert through to our outsourced receptionist, but as far as the caller is concerned the person on the other end of the phone is in our office."

As always with outsourcing there are suggestions that it poses a job threat but companies often employ the receptionist in a different area of the business or use her time away from the phones in a more productive way. The idea of using this type of service to help in-house staff development is a viewpoint supported by John Mortimer, managing director of leading support staff recruitment agency Angela Mortimer plc. Mortimer believes that the majority of UK companies are mentally stuck in an era in which managers managed, workers implemented and support staff did as they were asked. "In the past ten years, education, outsourcing and computerisation of pure functional tasks and the proliferation of the PC have combined to create opportunities for assistants to participate more actively in the business process and we believe that companies should capitalise on the potential of growing talent from within." The argument goes that time freed for the in-house receptionist by outsourcing can be used to help her develop additional skills and experience, for the ultimate benefit of the company.

The main obstacle to the success of the outsourced receptionist function is likely to be conservatism; the misperception that allowing calls to be answered by someone not in the office will result in a less personal service for callers. In fact the opposite is true; outsourced receptionists are specialists in answering business calls professionally; they are no different from a specialist lawyer or IT contractor. Those owners and managers who can keep an open mind and see past convention are likely to reap major benefits for their business.

For further information, see www.moneypenny.biz



Are you prepared for

The day that pensions in the UK will completely change forever...

On 6 April 2006 - "A-day" - the Government will introduce the biggest shake-up to pensions regulation in the last decade. There are currently eight different pension tax regimes, with varying rules regarding the level of payments that can be made and the value of the benefits that can be provided. It is no wonder, therefore, that pensions can appear confusing.

In order to address this matter, the Government is making pensions simpler to understand and more attractive for savers. To achieve this, a single pensions tax regime will be introduced from 6 April 2006 and, unlike previous pension legislation, it will be retrospective.

The UK Government has been planning this overhaul of the pensions system for the last two years through a joint initiative between the Department of Work and Pensions (DWP) and the Treasury.

The draft primary legislation to enact the changes was published in the Finance Bill in April 2004 and since then, draft Regulations have been published for comment throughout 2004 and are due for final publication at some point in the very near future. Here is a summary of the main proposals.

Summary of changes

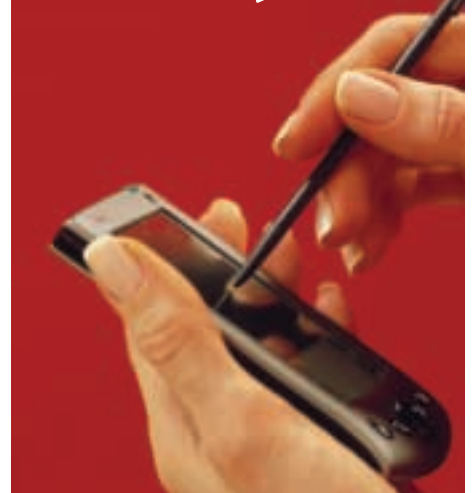
- ◆ One set of tax rules for all pension plans (includes both individual and employer-sponsored pension plans)
- ◆ Introduction of a Lifetime Allowance to limit the amount that you can build up in your pension plan for retirement
- ◆ Introduction of an Annual Allowance to limit the amount that can be paid into your pension plan
- ◆ An increase in the minimum retirement age
- ◆ New ways of taking your pension benefits, increasing the number of options available and flexibility

As it stands, almost everyone will be affected to some extent by the new pension rules. So, with under 12 months until the new legislation is introduced, it is important that you review your pension provision now to determine whether you can take advantage of the current funding limits. There may also be a need to protect your existing fund and/or tax-free cash sum if they are above a certain amount.

Key considerations

- ◆ Should you be maximising your funding under your current pension arrangement pre April 2006?
- ◆ Should you be assessing whether or not your pension fund or tax-free cash requires protection?
- ◆ What is the most appropriate investment strategy for you before and after the changes?

A-day?



- ◆ Does the pension arrangement you are currently in give you investment flexibility?
- ◆ Should you consolidate benefits held under an ex-employer's scheme and other pension arrangements?
- ◆ When is your proposed retirement date? Pre or post A-Day?

These are only a few of the areas that you should be considering, but the whole subject of pensions is complex and requires expert advice. It is, therefore, strongly recommended that you seek financial advice before making any changes to your current provision.

Please note that the information provided in this article is based on Millfield's understanding of existing and proposed legislation and Inland Revenue practice, all of which may be subject to change in the future.

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- ◆ a summary of the products and services provided
- ◆ a schedule of preferential terms and discounts for freelance PCG members
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