

Freelancing Matters



**Protecting and
promoting the
interests of freelance
consultants and
contractors**

**First PCG (QA)
certifications**

**Annual survey
2006**

**Engaging
freelancers the
smart way**



David Ramsden, Chairman

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Produced by Howardsgate.

An ambitious agenda

As one of PCG's original founders seven years ago, I have seen the organisation grow from being a single-issue protest group to a successful trade association: financially sound, member-driven and with a team of committed, professional staff. That we moved so far in so short a time to become a respected trade association whose views are sought and listened to in Westminster, Whitehall, Europe and Fleet Street is a tribute to past chairmen and directors and to the executive management team.

It gives me great pleasure to return to the board, in my new role as chairman, to help steer PCG through the next phase of its evolution. Many of you will know that my full-time role is that of political and parliamentary consultant, operating as a freelance contractor with a wide range of clients. I will continue to ensure that PCG benefits from my extensive contacts in Westminster and the European Union.

My vision for PCG is the collective one to which we all signed up some time ago – to be the voice of freelancers and to be at the heart of the freelance community.

I look forward to working with the new board, executive management team and Consultative Council over the coming year to take forward our ambitious agenda for raising the profile of freelancing and securing the recognition it deserves.

We already have some significant achievements to report.

In June, we welcomed a vote taken at the International Labour Organisation (ILO) conference that effectively endorses the status of independent contractors by

declaring that employment law should not interfere with commercial relationships. After several years of dialogue, we were delighted to achieve this recognition of freelancing.

Another major achievement was the publication of a standard contract template for use by the Recruitment and Employment Confederation's agency members. The judgment in the *Cable & Wireless v Muscat* case has highlighted the need for end-clients, agencies and independent freelancers to work together to ensure that they can all benefit from bona fide business-to-business relationships without fear of employment rights issues rearing their head. PCG clearly has a pivotal role to play in facilitating this dialogue.

Our policy activities have flourished. We have responded to government consultations on several important issues, such as HMRC powers, globalisation and the use of HMRC online services. We responded to a DTI strategy paper on employment status and submitted a joint response, with the Institute of Directors, Federation of Small Businesses and the British Chambers of Commerce, to the European Commission's consultation on the future of the internal market.

Our communications with HMRC about employers' pension contributions, following the A-Day changes, led to their guidance being revised.

In line with our objective of supporting members commercially, we introduced an accredited scheme for accountants, called PCG (QA), earlier this year, and are delighted to announce that seven accounting practices have already achieved certification.

We have several other exciting initiatives planned, and I hope that you will continue to support PCG as it goes from strength to strength.

Useful contact numbers

PCG administration and support helplines

Membership administration	0845 125 9899
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Forging partnerships

Over 60 Affiliate members and friends attended PCG's third annual Friends Day in London on Tuesday 4 April 2006. The event was chaired by Gareth Osborne, managing director of the Recruitment and Employment Confederation (REC). The chosen theme of "opening doors for the freelance community" was well received by the diverse audience.

Delegates heard an overview of PCG, its role within the freelance community, its public affairs strategy and the concept of freelancing as a "third way" of working.

Ben Butters, managing director of smallbusiness[europe] (SBE), offered delegates a European perspective on freelancing. The UK leads the way in terms of freelancing in Europe, and he urged PCG to continue its work in promoting the UK freelance model.

John Thomas, chief executive of PCG, outlined plans for working with external bodies such as SBE to help raise the profile of freelancing, removing barriers and expanding opportunities.

Gareth Osborne concluded the first session by inviting the audience to participate in a panel discussion about key policy issues for freelancers, in particular the *Muscat* case, and about how PCG and could influence clients as end-users.

Finally, a group working session gave delegates the chance to share their ideas about how PCG could help raise the profile of professional freelancers and how they themselves could contribute.

Charles Russam, chairman of interim management provider Russam-GMS, said, "This was a well-organised and informative day with the best bit, in my view, being the syndicate think-tank session at the end from where – I anticipate – many new and progressive ideas will have emerged."

Spreading the word

PCG welcomes the opportunity of meeting new organisations and providing expert speakers for events. These are some in which PCG has participated recently:

- The Contractors Forum – presentation to agency delegates
- Mindbench seminar – How to be a successful freelance consultant
- Jobserve Career Fair
- All Party Parliamentary Small Business Group and ACCA policy reception, House of Commons
- Genesis Initiative breakfast with Lorely Burt MP at the House of Commons
- smallbusiness[europe] stakeholders' briefing
- Bank of England Monetary Policy Committee sub-panel for small businesses

Diary

5 September 2006	Briefing by CBI director general, Richard Lambert
11-14 September 2006	Trade Union Congress
14 September 2006	PCG's ISO9001 audit
16 September 2006	PCG CC meeting
17-21 September 2006	Liberal Democrats conference
19 September 2006	smallbusiness[europe] policy event
21 September 2006	IMEchE seminar: Setting up and running a successful consultancy
22 September 2006	Byte Night 2006
24-28 September 2006	Labour conference
1 October 2006	Age discrimination regulations come into force
1-4 October 2006	Conservative conference
5 October 2006	Presentation to Institute of Mechanical Engineers
18 October 2006	HSC Small Business Trade Association Forum meeting
15 November 2006	IEE Consultants Convention



Gareth Osborne, REC



Ben Butters, smallbusiness[europe]

Tax personality of the year

In May, PCG member Geoff Jones and his wife Diana won the LexisNexis Butterworths "Tax personality of the year" award for taking on the might of HM Revenue & Customs.

The judging panel at the awards praised the couple's tenacity in pursuing their landmark case over a three-year period of trials and tribulations, finally winning on appeal in December 2005.

Geoff Jones said, "It's both a surprise and an honour to receive this accolade. Diana and I were just ordinary folk going about our business when the Revenue decided to pick on us almost five years ago.

"We wish to thank PCG and all the other contributors to the case, big and small, for their support, both financial and moral."





Member profile

Stephen Sharp

The issue of pay for engineers is a bit of a sore point. "As a permanently employed engineer, the levels of pay are seldom commensurate with the levels of expertise," says Stephen. "Professionals of a similar age with similar levels of experience in medicine and law attract far higher salaries. This is an age-old gripe for engineers and doesn't do much to enhance their sense of self-worth and job satisfaction."

Satisfaction is, for Stephen, one of the most important aspects of running a business. "I like having the independence to make my own decisions and steer the destiny of the company," he says. "If I'm not happy with a particular situation, I have a direct influence on it to enable change. There's no danger of becoming bored. While working for many clients over the years, I've met lots of interesting people and broadened my experience considerably. This tends to boost confidence and self-esteem – something you don't often get as a permanent staff member."

Stephen's work has taken him all over the world. "In my time as an independent consultant, I have been lucky to have worked on a number of diverse and interesting structural programmes, ranging from an attack helicopter in South Africa to a tube train project in Doncaster," he says.

"My most enjoyable work was in Milan and Venice, where the local geography was simply stunning. Doncaster came a very close second. I'm currently engaged with a client in Munich, another beautiful part of the world – and what a shame this contract happened to coincide with the World Cup!

"Apart from the Hawk, I've worked on the Airbus A330, A340 and A318, the VC10, the Rooivalk helicopter gunship, Aermacchi's M346 advanced jet trainer, Boeing's 787 'Dream Liner' aircraft, the Fokker NH90 military helicopter, and some rail stock design as well."

Airframe Designs (AFD) was established in 2005 to provide stress analysis services to the aircraft and space industries. Based in Switzerland, with offices in the UK and the Netherlands, it focuses on fatigue and damage tolerance, static analysis and design of composite structures and a full suite of finite element analysis capabilities, including birdstrike, explosion and production simulations. The company also offers bespoke training programmes.

According to Stephen, working with a partner offers many advantages. "When you're not in the most positive frame of mind, and feel like giving up, a business partner can often provide the counterbalance needed," he says. "Rome wasn't built in a day, and if you want to be successful at running a business, you have to persevere. You have to maintain enthusiasm and positive energy, even when things are not going to plan."

"Preparation is a major success factor, and it is worth honing your presentation skills and working hard to identify your unique selling points so that you can convince potential clients that they really do need your services. It's important also to establish a strong foundation for the business – this includes installing a secure server and implementing a quality system."

In April 2006, Airframe Designs achieved ISO9001:2000 certification through PCG's UKAS-accredited quality system scheme, PCG (QS).

"Airframe Designs is a progressive company," says Stephen, "and is not stopping at ISO9001. The aerospace benchmark for quality is AS/EN9100 and AFD intends to achieve certification against that benchmark standard by the end of 2007. PCG should be applauded for recognising the value of ISO9001 certification in a wide range of industry sectors," he says, "and for introducing a purpose-built and cost-effective scheme to help the smallest consultancies compete on a level playing field."

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Now one of three consultant engineers running Airframe Designs GmbH, 42-year-old Stephen Sharp has been working as an independent consultant for 16 years. After ten years with BAe Military Aircraft, working in the Hawk structures, design and qualification team, he decided to leave mainstream permanent employment to expand his experience in the field of strength engineering.

"Initially, my skills were in the static stress analysis of metallic structures," Stephen explains. "Over the years, I've focused more on fatigue calculations and crack growth analysis. Market forces have played a part, of course, leading to more involvement in damage tolerance, which is essential for all civil and military aeroplanes. This skill tends to justify higher hourly rates too."



M346, photo courtesy of AleniaAermacchi

Maintaining a competitive edge is one of the main challenges facing consultancies like Airframe Designs. "Clients continually want to drive down costs and are under the illusion that they can offload work to lower-cost countries and receive a satisfactory product in return," Stephen says. "Sadly, that isn't the case. In my experience, if you pay cheap, you get cheap."

"As a business, we like to be flexible and proactive with clients, responding quickly to unplanned demands and requests. Over the years, we've developed a training capability to complement our consultancy work, and clients find this very attractive. Training engineers offers us the opportunity to meet a lot of potential clients and to get a 'foot in the door' with new clients."

"I love the buzz that you get when you pull off a successful business deal. You never get that as a wage slave in a large organisation. I could never go back to being a permanent employee. When you're a freelance consultant, the world is your oyster."

Stephen is unequivocal about having made the right decision in branching out on his

Rootivalk - photograph by Howard Thacker - Denel



own. "I love the buzz that you get when you pull off a successful business deal," he enthuses. "You never get that as a wage slave in a large organisation. I could never go back to being a permanent employee. When you're a freelance consultant, the world is your oyster."

As a family man, Stephen is keen to ensure that his relationships with his wife and children do not suffer because of his regular commuting to Europe and beyond. "I believe that the UK offers the best education in the world," he says, "and I want our children to

have the best, so they live in England with my wife, and I commute as necessary. Having a local office too, is certainly a real luxury.

"There is a big world out there, where a freelancer with suitable skills can earn well whilst enjoying a varied and interesting lifestyle. With a passport and laptop, I can work anywhere. I've encouraged my children to adopt a similar independent attitude too, because I know it will imbue them with greater confidence in later years."

See www.airframedesigns.com



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Policy update

PCG's policy work in recent months has centred on some of its key campaigns – to secure and promote recognition of freelancing as a valid business model, to achieve clarity and certainty on employment status, to lobby for better regulation and less red tape, and to tackle unfairness and complexity in taxation, employment law and public sector procurement.

Recognition of freelancing

ILO votes for recognition of independent contractors

The International Labour Organisation (ILO) has expressed support for freelancers and contractors in a Recommendation passed in June. The Recommendation states that, "National policy for protection of workers in an employment relationship should not interfere with true civil and commercial relationships ..."

This is a reversal of the ILO's inclinations ten years ago, when a move to condemn freelancing and endorse measures such as IR35 was on the cards. David Ramsden intervened for PCG at the ILO's summit in Geneva in 2003; the Independent Contractors of Australia (ICA) have also put in a great deal of work to bring about this positive outcome.

Welcoming the Recommendation, David Ramsden, who is now chairman of PCG, said, "This is a significant milestone in terms of understanding the changing nature of work in the 21st century. We describe freelance working as the 'third way' – outside the traditional divide of employer and employee – and we wholeheartedly welcome the recognition that freelance consultants and contractors earn their living through commercial contracts and do not want or deserve to be deemed 'employees'.

"As we recently articulated in our response to the DTI's *Success at Work* strategy document, the old-fashioned dichotomy of 'employers and employees' ignores a large section of the workforce; as a significant proportion of the UK's diverse workforce, freelancers make a valuable contribution to the economy and to a labour market that is characterised by diversity and flexibility.

"PCG hopes this recognition of freelancing as a legitimate business model will be repeated in the EC's Green Paper on employment status, which is due out this autumn and to which PCG has made a submission."



© International Labour Organisation

"National policy for protection of workers in an employment relationship should not interfere with true civil and commercial relationships, while at the same time ensuring that individuals in an employment relationship have the protection they are due."

Clause 8 of the ILO Recommendation

EU Green Paper

PCG continues to await the publication of the European Commission's Green Paper on employment law, which was provisionally scheduled for early summer but has now been pushed back until at least September this year.

The concern remains that any legislative proposal arising from the Green Paper could constitute an attack on what is often termed "parasubordination" or "economic dependency".

Contractors or self-employed people with only one client at a time are viewed by many in Brussels either as abusing employment law or as exploited workers.

To move from a Green Paper to finished legislation will take many years, however, and PCG will work to ensure that any directive turns out to the advantage of the UK's freelance consultants and contractors.

'Success at Work'

In March, the Department of Trade and Industry (DTI) published its strategy document, entitled *Success at Work*, for employment relations over the current parliament. It recommended that no fundamental change is necessary to the current framework of employment law; considering that trade unions lobbied the Government for an "extension" of employment rights to all workers, this is welcome.

The paper contained little direct acknowledgement of freelancing or its benefit to the economy, however, and PCG has written to the Department to express its surprise at this serious omission.

The most recent analysis of this year's *Muscat* judgment (see *right*) suggests that it cuts across *Success at Work's* objectives more seriously than first thought. Discussions with the DTI on this subject are ongoing.

PCG and Government

Pensions and tax

As the new pensions regime was introduced on “A-Day” (Appointed day, 6 April 2006), it was clear that confusion remained about how pension contributions would be taxed. In theory, the new arrangements allowed for unlimited employer’s contributions; in practice, HM Revenue & Customs (HMRC) proposed to disallow tax relief on any contributions it viewed as excessive. PCG expressed concern to HMRC that this approach would create a situation where businesses would be unable to tell how much they could contribute to employees’ pensions.

HMRC has revised its guidance to make it clear that salaries and employers’ contributions will be allowable in any proportion and that inspectors must consider the “remuneration package” as a whole, rather than contributions having to be “wholly and exclusively for the purposes of the business”.

Highly subjective tests such as “close personal friend” have largely been removed from the guidance, although large employer’s contributions to non-fee-earners, or to fee-earners whose work has been proportionally much smaller than the contribution, may be viewed with suspicion. Nonetheless, the revised guidance addresses PCG’s major concerns and is a substantial improvement over the initial draft.

PCG’s new *Guide to Pensions* is now available for members to download from the website.

Representations made

During the spring and early summer, PCG has offered input to the Government and other institutions both in the EU and the UK in a wide range of areas.

A response to the EC’s consultation on future Internal Market policy was formulated and submitted jointly with the Federation of Small Businesses, Institute of Directors and British Chambers of Commerce.

PCG’s response to the EC’s consultation on Intellectual Property Rights urged that there should be no extension of patentability to cover software and that IPR policy should be formulated with competition in mind.

For the first time since 2004, PCG has submitted evidence to a House of Commons Select Committee. The Treasury Select Committee has been conducting an investigation into ‘Globalisation: its impact on the real economy’. PCG’s evidence outlined

both the opportunities made available to PCG members by globalisation and some of the difficulties it presents, both in terms of taking advantage of new opportunities and also in terms of the upheaval caused by the relocation of work around the world.

The powers of HMRC were the subject of a consultation announced in the Budget; in responding, PCG expressed doubts about whether it would be appropriate to extend the Revenue’s powers, and urged that inspectors be made fully accountable. Also announced in the Budget was a review of the taxation of composite companies; PCG understands that a consultation document will be published later in the year. Finally, PCG has commented on a Partial Regulatory Impact Assessment carried out following the Chancellor’s acceptance of the recommendations of the Carter review of HMRC’s online services.

Ongoing consultations can be viewed in the Policy forum, and completed responses are available to download from the Library section of the PCG website.

Legislative and Regulatory Reform Bill

In May, the Government announced amendments to the controversial Legislative and Regulatory Reform Bill. The proposed measure attracted criticism earlier in the year, for potentially creating mechanisms – Regulatory Reform Orders (RROs) – by which the Government could bypass parliamentary scrutiny.

PCG’s response to the initial consultation had voiced similar concerns some time previously. The submission pointed out that RROs were a powerful tool but were also highly innovative, and urged that they should not be made as wide-ranging as the Government proposed. It also voiced concern about the ability of parliamentary committees to scrutinise and block proposals. The new amendments proposed greater scope for the parliamentary committees to scrutinise and veto measures; they also give commitments to prevent RROs being used for purposes other than to further the Better Regulation agenda.

Age discrimination

PCG members who have their own limited companies will be within the scope of the new Age Discrimination Regulations when they come into force in October. PCG will compile full guidance for members nearer the time.

Muscat and IR35

Leading tax expert Anne Redston has suggested that the recent Court of Appeal judgment in the case of *Cable and Wireless v Muscat* could make a legal nonsense of IR35.

IR35 applies when no employment relationship exists; the *Muscat* case suggests, however, that an implied employment relationship may be in force between many contractors and their end-clients. This makes the contractors employees and not IR35-caught contractors.

Whether this will generally prove to be the case remains to be seen. PCG’s advice remains that contractors who are engaged on genuine business-to-business terms will be unaffected; those working on quasi-employment contracts may, however, be within scope of these new developments.

PCG wants the Government to acknowledge the problem and appoint an independent commission to assess options for clarifying employment and tax status, particularly for freelancers, the self-employed and small business owners. This commission should consult fully with the DTI, the Treasury, PCG, the tax profession and other stakeholders.

PCG’s policy officer John Kell said, “Employment status and tax status currently operate independently of each other, so that a worker who is ‘deemed’ to be an employee is required to pay tax as both an employee and an employer, even though they are not, and do not want to be either. This situation is absurd as it is, but *Muscat* may also make it hopelessly unclear.”

The full text of Anne Redston’s article, *E-Nuff is not enough*, originally appeared in *Taxation*, and is reproduced with their kind permission on PCG’s website.

Ms Redston is Chair of Personal Taxes at the Chartered Institute of Taxation (CIOT) and a Visiting Professor in Law at King’s College London.



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An interview with Mark Prisk MP

As a chartered surveyor, Mark Prisk ran his own business consultancy for ten years before entering Parliament in 2001. He was appointed Shadow Minister for Small Business and Enterprise in December 2005. In an interview with PCG, he explains why he is keen to promote the cause of small businesses and the self-employed.

What has been your experience of small business outside Parliament?

I come from a family of small businesses. My grandfather set up his own architectural technician's practice and my father became a valuer, auctioneer and estate agent. For my own part, I was a director of a small company for two years and then set up on my own as a chartered surveyor for ten years between 1991 and 2001. I feel this experience has been invaluable, prior to entering Parliament.

What do you feel that your party can offer freelancers?

First, recognise that they have different needs and concerns. Second, try to make it easier to trade. Third, recognise and help the growing numbers of home-based businesses.

What do you see as the biggest challenge facing freelancers in the UK?

Government does not understand the nature of freelance work. In fact, they often fail to understand companies with fewer than 50 employees. We need to change that approach and release sole traders and freelancers from unnecessary regulation. We also need to look at how freelancers' contracts operate, to make sure the market better reflects the individual skills available.

How do you think that the role of freelancing in the economy is likely to develop over the next decade or so?

I think that the old idea of a full-time job throughout a career is becoming increasingly irrelevant to many people. This means that people will be employees, contractors and self-employed over their career and we need to adjust the way government handles these changes in matters like pensions, income tax and regulation.

Do you see a role for government supporting freelancers and small businesses?

The first role of government is to enable businesses, large and small, to operate effectively. That means improving the road and rail network and a genuine high capacity broadband service.

After that, it is important that there be customer-led support for business, in which those who have actual experience in business are able to advise others. I think it is time that the 3,000 small business schemes the Government runs should be reviewed in their entirety and focused to provide practical help.

What future do you see for the Department of Trade and Industry and the Small Business Service?

Both need to better reflect the needs of their customers, and to actively champion the business voice. I am not convinced they are achieving this at present.

Do you support the idea of Post Implementation Impact Assessment being made mandatory, as RIAs (Regulatory Impact Assessments) already are?

I'm concerned first of all to reduce the regulatory burden on freelancers and the smallest businesses. I also want to see regulations as the last resort of government, not the first.

How do you feel the tax system can best be simplified to be more fit for use by small businesses?

Fewer, shorter forms and a recognition that the Government has overcomplicated different tax reliefs. I also believe that the retrospective nature of many tax charges has been unfair and counter-productive.



Mark Prisk MP

Mark Prisk is the Member of Parliament for Hertford & Stortford. Following David Cameron's election as leader of the Conservative Party, he asked for, and was given, the small business brief.

Mr Prisk was born in 1962 and educated at Truro School, Cornwall. He went on to the University of Reading, where he graduated in 1983, with a BSc (Hons) in Land Management.

He has worked in Hertfordshire since 1986, initially as a chartered surveyor, before spending five years running his own strategic marketing and communication consultancy.

He is chairman of the Hertfordshire Countryside Partnership, which is concerned with protecting the landscape and wildlife of the area, and he founded the East Hertfordshire Business Forum, which campaigns on behalf of local businesses.

His other long-term political interests include defence; he was the founding chairman of "Youth for Peace Through NATO" and is also a former vice-chairman of the Federation of Conservative Students.

He is a rugby and cricket fan and likes music, playing the piano, going to the theatre, and walking and running. He has been married since 1989.

Small business representatives from other major parties will be invited to share their views on issues affecting freelancers in future editions of Freelancing Matters. PCG is a non-partisan organisation and does not endorse any political party.



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New chairman, board and representatives

At its first meeting since PCG's annual elections in May, the new Consultative Council (CC) appointed the board of directors for 2006-07, with David Ramsden as chairman.

Simon Griffiths, Julie Stewart, Chris Bryce and Stuart Ritchie were appointed non-executive directors. The new board appointed Neil Graham of Berg Kaprow Lewis as finance director, a role he has held since May 2004.

David Ramsden

David Ramsden (*top left*) is a freelance contractor who specialises in political and parliamentary affairs, where he serves a number of blue-chip companies.

In addition to his work with PCG, an organisation he co-founded in 1999 and in which he has served as director, CC member and adviser, David is an active member of the Federation of Small Businesses and chairs their South West of England Policy Unit. He is also a corporate fellow of The Industry and Parliament Trust, an adviser on small business matters, chairman of Deregulate Limited and of EuroShop (EC) Ltd and chairs a board of school governors in Bournemouth.

Simon Griffiths

Simon Griffiths (*top right*) graduated from the University of Cardiff in 1986 with an Honours degree in music. In his primary role of technical architect, he has been instrumental in designing some of the UK's largest Unix systems. He is a director of Rainbow Computer Consultancy, which builds bespoke e-commerce and internet applications, and is a strong advocate of the Open Source Development model.

Simon has been a PCG director for six years, variously holding the posts of legal director, chairman and deputy chairman.

Julie Stewart

Julie Stewart (*centre left*) started working in IT 30 years ago and has been a freelancer for the last 24 years, working in a range of roles, including programmer, designer, analyst and technical consultant on the Oracle Financials package, as well as testing, data migration and business analysis.

She joined PCG in May 1999 and has served on the CC from its inception in 2000, when PCG came into being as a legal entity, and as a director since 2004.

Stuart Ritchie

Stuart Ritchie (*centre right*) is an information architect and non-executive director. He has worked inside more than 25 enterprises transforming, securing, and improving information. A Master of Laws (e-commerce), Stuart has taught academic and commercial courses in marketing and financial modelling.

His extra-curricular work includes the UK Parliamentary IT Committee, advice to legislators in four jurisdictions, lay advocacy in the employment tribunals, and keynote speeches in the areas of compliance, risk, business intelligence, and security. He has won a Department of Trade and Industry Smart award for e-commerce innovation.

Chris Bryce

Chris Bryce (*bottom left*) first became a contractor in 1992 after spending 14 years in general management of businesses ranging from sporting goods suppliers to logistics and document management.

He now provides project and programme management services to clients, including top-tier investment banks and government bodies, involved in business change and/or IT implementation programmes. Having joined PCG in its early days, Chris has been a CC member since 2005.

Neil Graham

Neil Graham (*bottom right*) qualified as a chartered accountant in 1982, and is a partner at Berg Kaprow Lewis LLP, a top 50 firm with 16 partners and around 120 staff, which looks after more than 200 freelance contractors. He brings not only his general knowledge of business, particularly in the SME sector, but also his specific experience of dealing with the freelance contractor market.



Consultative Council

PCG is a not-for profit trade association, constituted as a company limited by guarantee. Its governing body is the General Meeting of its members, but it also has a Consultative Council (CC), which is central to the way that PCG functions as a representative body.

The CC comprises 30 members, half of whom are elected each year. The CC plays a vital role in PCG's governance, serving as the main conduit for communicating members' concerns to the board, and as a pool of volunteers, advisers and directors-in-training. It holds several meetings each year at which the board reports on its activities, answers questions and receives representations from the members. The CC is presented with financial statements at each meeting.

The CC members for 2006-07 are: Andrew Banks, Chris Bryce, Paul Chapman, Ian Colpman, Philip Down, Ian Durrant, Pamela Edwards, David Gilmour, Simon Griffiths, Court Guinness, Mark Handford, Carol Jones, Geoff Jones, Simon Juden, Neil McClements, Leigh Mount, Clive Palmer, Mark Powell, Gurdial Rai, David Ramsden, George Randle, Stuart Ritchie, Richard Robson, Julie Stewart, Garry Sutherland, Adrian Vickers, Gareth Williams, Chris Woollacott, Steven Wray and Ajmal Zia.

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T2 makes the grade

Berkshire-based T2 Consulting has two strands to its business: IT service management and bespoke software development. Taking part in the PCG (QS) scheme gave it the impetus to formalise its internal service delivery processes.

From the outset, T2 had taken the quality of its services seriously and demonstrated this successfully to a portfolio of regular clients.

According to director Tracey Torble, the introduction of PCG's quality scheme was timely. "We were streamlining our processes to arrive at a consistent and efficient method that we could in some way market to our potential clients as a benefit, albeit not as a formally recognised one," she explains. "What better way to improve on this than by taking it a step further and obtaining an internationally recognised certification? The PCG (QS) scheme offered us an affordable route to invest in a suitable quality management system that would otherwise have been beyond the means of our small consulting business."

Having two distinct strands has helped T2 serve a diverse range of clients and develop its expertise in several sectors, including government, education, broadcasting, pharmaceuticals and finance. Clients include the Labour Party, Wyeth, Oracle UK and BBC Research and Development.

Tracey firmly believes that it is worth investing time in developing proper processes and procedures. "This approach has already saved us time in the day-to-day operation of our business," she says, "and will make us the best we can be. The key is to focus on implementing a system that is fit for purpose rather than on paperwork for the sake of it."

"ISO9001:2000 certification is already helping us cement our relationships with existing clients, particularly those in the public sector, where there is a greater tendency to look at quality assurance. We believe that certification puts us, as a small company with limited resources, on a level playing field with larger consultancies."

T2 Consulting's directors look forward to reaping the rewards in the form of more repeat business and a greater market share.

See www.t2consulting.co.uk and www.t2consulting.co.uk/itsm



"ISO9001:2000 certification is already helping us cement our relationships with existing clients, particularly those in the public sector, where there is a greater tendency to look at quality assurance."

Tracey Torble, T2 Consulting

All in a good cause

PCG members are not averse to undertaking some daunting challenges to raise funds for charity.

Arctic expeditions

In March, Duncan Lawie took part in the Great Sponsored Arctic Dog Sledge to raise funds for the Friends of the Scott Polar Research Institute (SPRI) in Cambridge.

"I was given a dog known as Tractor, a big, tough hound with a bloodshot eye who could probably have pulled me and my sledge all day on his own, rather than being one of four," says Duncan. "In the middle of the week, he took against his neighbour, a



beautiful, classic husky, and I found myself leaping through the air, coming down knee-first between the dogs, to stop a brutal fight developing. Gradually, Tractor accepted that I was in charge, and the journey became easier. My team's desire for affection easily matched their joy in running, and the Arctic landscapes we travelled through ranged from bleak to beautiful.

"I got a real taste of life in high latitudes, feeding the dogs before ourselves, drilling for water on a frozen lake and sleeping in wooden huts warmed by birch log fires. Not only this, but the group raised over £16,000 for the work of SPRI, who maintain a fabulous polar archive – both Arctic and Antarctic – and are also at the sharp end of scientific research on climate change."

IT consultant Andy Gilhooly also spent six days and nights in the Arctic, camping rough and sledging over 200 miles. His expedition was in aid of Acorns Children's Hospice, a West Midlands charity which cares for life-limited children.

'Doing it for the Kids'

In May, Mindbench hosted and sponsored a charity pub quiz night in aid of London-based charity Kids Company. The night was a great success, with over 200 people showing up at Auberge bar in London Bridge to battle their wits against friends and colleagues over lots of free drinks. A good time was had by all and they helped raise over £3,000 for KidsCo.

Physical challenges

In June, Manuella Phillips completed the Race for Life 5km run around the City of London, in aid of Cancer Research UK.

Andrew Banks abseiled from a 150ft tower to raise money for Parity for Disability.

Derek Pattensen and his wife Doreen took part in the annual London to Brighton bike ride, in aid of the British Heart Foundation. It took them eight hours to complete the 54-mile route, and their anxiety about cycling such a distance turned out to be unfounded.

First PCG (QA) certifications

In March this year, PCG launched an accredited accountant scheme, to help members choose their accountant by identifying and promoting those who have been given additional and specialist training in freelance-specific issues. The scheme, called PCG (QA), for “Quality Accountant” is the third in PCG’s portfolio of quality initiatives designed to help freelance businesses commercially.

Developed and delivered in association with Accountax Consulting Ltd, the PCG (QA) scheme involves strict entry criteria and a rigorous application process, a two-day training programme covering specialist topics such as IR35 and S660A, a marked assignment and an annual assessment which will take into account feedback from PCG members.

The introduction of the PCG (QA) initiative reflects the importance that PCG members and other freelance business owners place upon choosing an accountant.

“We consult our members regularly,” said PCG chief executive John Thomas, “and respondents to two of our surveys in 2005 told us that their choice of accountant was influenced primarily by recommendations, followed by contractor experience and knowledge of IR35 and S660A, with price being only in third place. PCG (QA) was developed in response to a clear demand from members for help in identifying the best practices for freelancers.”

So far, over 50 firms have applied to take part in the PCG (QA) scheme. Training courses started in May, and to date, seven accountancy practices from the first two cohorts have been certified under the PCG (QA) scheme:

- Marches ITC Solutions (Ludlow)
- SJD Accountancy (London)
- The Kinnaird Partnership (Cambridge)
- Vigar & Co (Peterborough)
- D J Colom & Co (London)
- Baker Watkin (Stevenage)
- JSA Services (Watford)

Peter Leach of Marches ITC Solutions said, “This is a highly worthwhile and welcome initiative by PCG and has our full support. The training was both demanding and stimulating, and I hope many other accountants who specialise in the freelancer sector will take advantage of the programme. PCG (QA) offers freelancers a choice of accredited accountants with specialist training and skills and we are delighted to be one of the first firms to be accredited.”

SJD Accountancy’s managing partner Simon Dolan said, “The PCG Quality Accountant certificate is very important to us and builds on our reputation as the tax advice experts with the most experience in providing specialist accountancy services to contractors and freelancers.”



The first cohort in training – clockwise from top left: Peter Leach of Marches ITC Solutions, David Wilsdon of SJD Accountancy, Dave Smith of Accountax Consulting, Chris King and Glyn Newman of The Kinnaird Partnership and Amanda Vigar of Vigar & Co.

See www.pcg.org.uk – quick link **PCG (QA) practices** – for a list of certified practices



Chris King, a partner at The Kinnaird Partnership, attended the PCG (QA) course with colleague Glyn Newman. “We both found the discussions about technical issues relating to IR35 and Arctic Systems with personnel directly involved in such court cases extremely useful,” he said.

Amanda Vigar of Vigar & Co LLP said, “With HMRC continuing to challenge contractors’ status, I welcome PCG’s move to set up an accredited accountant scheme. Contractors will know the advice they are getting is from a specialist in the area. Having been a contractor myself, I am fully aware of the pressures of contracting and know that the last thing needed is the additional worry of dealing with the taxman.”

Accountax managing director Dave Smith, who ran the first PCG (QA) training course and assessed the candidates’ assignments, said, “This scheme is not for everyone and there is no certainty that all candidates will be successful. Only those accountants that can demonstrate a thorough understanding of the issues that affect freelance contractors and can meet the highest professional standards will get through.”

Who can apply?

The scheme is open to qualified accountants only – chartered or certified accountants and chartered tax advisers.

Except where the firm comprises a sole practitioner, the minimum number of individuals completing the training must be two per office – usually the partner responsible for contractor clients and the person who looks after the day-to-day matters. At least one of them must be qualified. Furthermore, the practice must be a member either of the Institute of Chartered Accountants in England and Wales (ICAEW) or of the Association of Chartered Certified Accountants (ACCA).

These are the main prerequisites, and additional selection criteria apply.

Member benefits

Bundled within both standard and PCG*Plus* membership is a comprehensive package of services and benefits, including the highly valued Professional Expenses Insurance, contract templates, expert guides and free access to tax and legal helplines. These are complemented by a number of optional goods and services, available to PCG members at preferential rates. PCG is continually evaluating its portfolio of member services and benefits, and has recently introduced another two benefits that many members will find very valuable.

LogBuy

PCG has joined forces with LogBuy to offer members a new benefit designed to save you money on business supply purchases. By combining the purchasing power of small businesses across the UK, LogBuy negotiates sizeable discounts on the products and services you need to run your business.

Through LogBuy, you will have access to an attractive range of discounts – ranging from 5 per cent to 70 per cent – from some of the UK's leading business suppliers.

Simply click on the 'Member Benefits' logo within the members area to access the dedicated PCG area on LogBuy's website and take advantage of the deals available.

The following list is not exhaustive, but gives you some idea of the suppliers from whom you can buy at discounted rates:

- Apple Store – Apple Mac hardware and software
- Atradius – debt collection services
- BTI – business travel, flights, hotels, global call cards
- Burgundy Global – chauffeur services



- Business Post – postal service and courier
- Chess – smarter business telephone, mobile and internet charges
- Depositit – data protection and back-up
- Europcar – car/vehicle rental
- HP – computer hardware
- Impact – stationery, print and furniture
- Laithwaites – leading wine specialist
- London Energy – business electricity
- RAC – car breakdown
- Radisson SAS – hotels
- Regus – for virtual office services and meeting and training room hire
- Select Apartments – serviced apartments
- Shell – fuel cards
- Wstore – hardware and software

Nexus Cars

PCG members now have access to the preferential car buying service from Nexus Cars, which can help you make huge savings on buying and financing new cars.

The arrangement is designed to provide:

- the best deals on new cars
 - to beat the best internet prices
 - 110% price guarantee
 - all types of finance available (personal and business)
 - part-exchange arranged
- UK main dealer sourcing
 - UK warranties
 - UK mainland delivery
- improved delivery on limited supply vehicles
- discounts on motor related services
 - mobile valet services
 - paint protection process
 - smart repair
 - security tracking systems

For further information about LogBuy and Nexus Cars, see www.pcg.org.uk/logbuy and www.pcg.org.uk/nexus

Counting the cost of jury service

When William Paton of Neptune Computer Services upgraded to PCG*Plus* membership, little did he know that one of the lesser-known benefits of the package would prove so valuable.

An IT contractor, William had already been through a tax investigation three years earlier. Although it had been relatively straightforward to resolve, being a simple query about travel expenses and the two-year rule, he was wary of being investigated again, and decided to take out PCG*Plus* membership in order to have the extra cover afforded by the PAYE Audit Cover, which complements PCG's Professional Expenses Insurance.

When he received a summons for jury service, he vaguely recollected that PCG*Plus* included cover under PCG's jury services expenses insurance policy. He checked his records, and so it did.

William lives in Glasgow and is currently working on a contract based in the City of London. Working from home is not an option, because his client is a private bank, and so he commutes weekly.

"This means that when I was called for jury service in Glasgow, I had no choice but to take time off," explains William.

"Luckily, the client was fine about it and I was able to claim on PCG's policy, via Abbey Tax. I simply gave them a copy of

my current contract and of the previous week's remittance advice, to prove my earnings, and they paid out £300 a day for the week that I was on jury duty, less the small allowance paid by the court. Unfortunately, this didn't compensate me in full for the loss of revenue, since my contract pays a higher daily rate, but it certainly helped mitigate the loss.

"Contractors are at a disadvantage compared to employees when it comes to things like this – although they're not obliged to, most large organisations will continue paying their permanent staff when they are called for jury service. Having been through this, I would say that jury service expenses cover is a 'must-have' for any contractor."

Simon Silver-Myer

Chartered Accountants & Registered Auditors

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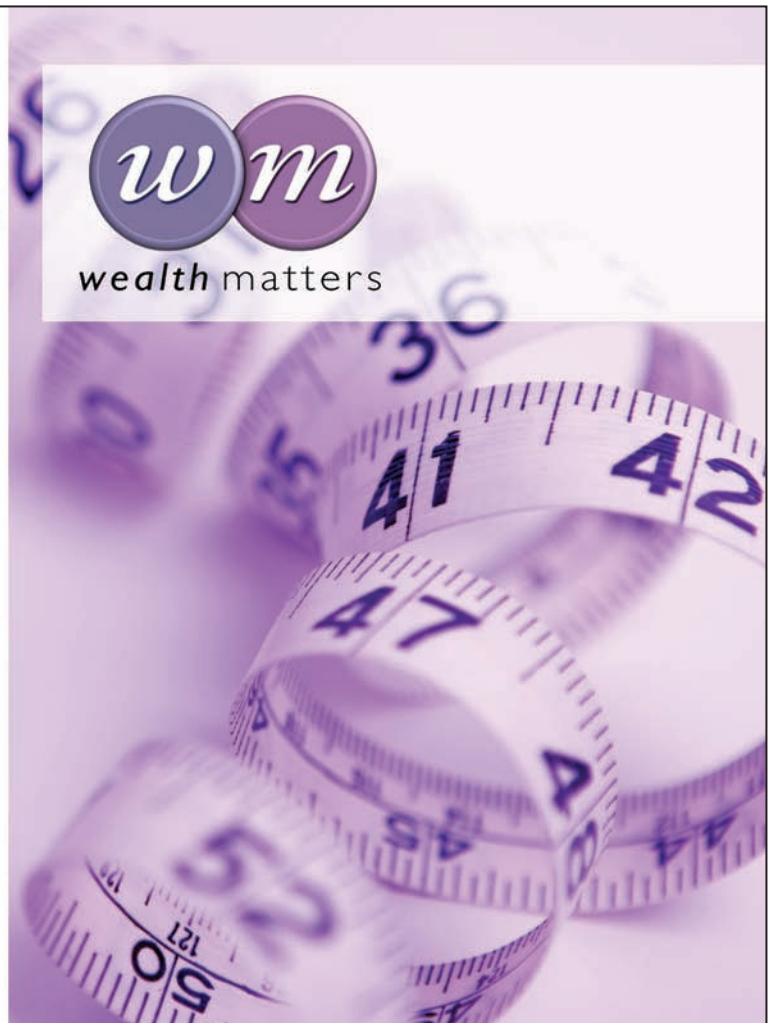
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Engaging freelancers the smart way

Strange things have been happening recently in the buoyant UK market for consultants' services. Stories abound of clients delighted with their contractors, but terminating contracts after a year in an attempt to avoid exposure to employment rights and/or national insurance.

In several large corporates, this has put the relationship between programme and line management on the one hand (who want to retain the contractor's services), and HR and purchasing on the other (who insist It Can't Be Done), under an amount of strain.

This is a pity, because the 12-month deadline that is being enforced won't actually make the difference that they think it will. Rather, clients need to adopt a proper relationship with their freelance suppliers; they can then enjoy their services for as long as they like without fear of this exposure.

The strong demand-side of the freelance marketplace is hardly a surprise, given the value that contractors and consultants bring to their clients: the UK's high-skill, high-mobility, high-flexibility freelance workforce is unique in maturity and scope, and gives UK Plc a clear competitive edge over regimes where rules are more rigid. Equally, most experts agree that the supply-side can only get stronger as changes in society continue to find reflection within the workplace.

However, the risks to the end-client in the engagement chain are often misunderstood and misstated, even by commentators who should know better; and while no law is ever truly "simple", the rules surrounding the supply of freelance services are such a Heath Robinson behemoth that it's little surprise misunderstandings often arise – even from seasoned purchasing professionals.

At the time of writing, the risk du jour, certainly in the perception of clients,

is unexpected liability for tax and/or employment rights, due to a deemed employment status that was neither envisaged nor desired by either party at the start of the relationship.

Recent events have thrown these matters into sharp relief, but these issues have always been present: few would disagree that classing someone as an employee for the purposes of their own tax but not their putative employers' tax or for employment rights/state benefits is logically unsatisfactory and at best morally ambivalent, and there is general consensus that this state of affairs will be removed in the not too distant future – if indeed it exists at all. Certainly, cases like *Muscat* (see the article on page 7) rather suggest that it doesn't.

Other risks, apparently recognised far less often but none the less real for it, include the kind of commercial risk routinely mitigated for other suppliers but surprisingly rarely for contractors:

- what if the contractor is ill? (can they send a colleague to fill in? If not, who is responsible for ensuring deadlines are met?)
- what if they make a mistake? (whose responsibility is fixing it? who pays?)
- what if there's nothing for them to do on a particular day or the project ends unexpectedly? (do you still have to pay them?)
- what if they're no good? (is there an employee-style notice period to work and pay for?)
- who controls the IPR in work done?

The good news is that "all of the above" can be mitigated by the simple expedient of having the correct relationship with contract staff, accurately reflected by appropriate contractual arrangements.

The first half of this is critical: it's no good whatsoever just having a contract that says "we treat our contractors like any other suppliers of business services"; for both employment and tax law purposes the reality on the ground is crucial, and for some end-clients, this does mean that practices need to change.



It's also important that these matters are comprehended throughout the supply chain. In a world with managed service companies (umbrellas, composites and so forth), preferred supplier lists of "master vendors" through whom all other agencies must come and the like, it's not uncommon for the supply of a single contractor to be through four or five separate entities. Each of these must ensure they get these matters right in order to protect the end-client, and ultimately the end-client must understand and be comfortable with their exposure from all parts of the chain.

Obtaining best value is not just about getting the lowest price: it's also about getting the right service levels and the right commercial protections in place to handle contingencies.

"The message for users of contractors' services is clear and simple: when engaging contractors, as with sourcing anything or anyone else, make sure you truly understand what you are buying and how you are buying it."

The message for users of contractors' services is clear and simple: when engaging contractors, as with sourcing anything or anyone else, make sure you truly understand what you are buying and how you are buying it. If it's an employee, be prepared to bear the full cost and responsibility that entails. If it's a service, take the simple steps required to establish this beyond doubt, so that you can continue to reap the reward of the UK's unique flexible workforce.

Simon Juden is the founder and chief executive of SmartContractorHiring, a consultancy which advises clients on engaging freelancers.

See www.smartcontractorhiring.com

Annual survey 2006

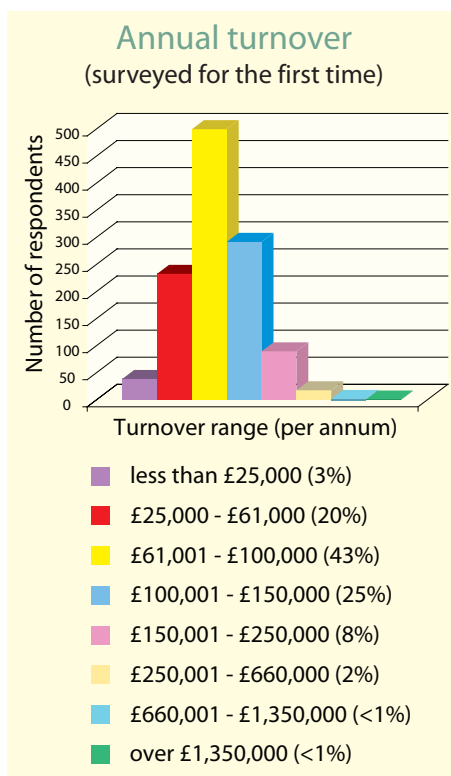
PCG's 2006 annual membership survey elicited 1,179 responses, representing nearly 10 per cent of the membership.

Member feedback is extremely valuable for PCG's management team in setting objectives and developing strategies.

About PCG members

PCG members are mostly long-term freelancers, well qualified and experienced:

- 72% are aged between 35 and 54 years, and 19% are 55 or over
- 41% have been freelancing for 10 years or more, and 31% for 5-10 years
- 88% are currently in contract, compared to 87% in 2005 and 81% in 2004
- 60% have a bachelor's degree or equivalent, 42% have a professional qualification, 27% have a technical qualification, 21% have a master's degree, and nearly 4% have a doctorate.



Mode of operation

- Although nearly 94% operate through limited companies, 24% said they would prefer a different business model
- Sole traders were the next largest group at less than 3% of respondents, but nearly 20% said that this would be their preferred business model if regulations and tax measures did not preclude it
- 44% have a website and a further 17% plan to get one, whilst 5% consider it irrelevant to their business.

Nature of work and sectors

- The broadening of PCG's appeal across a range of disciplines is highlighted by the fact that 49% of respondents are IT workers, compared to 73% in 2004
- 18% are in engineering, 16% in project management and 6% in management
- 31% work in the finance sector, compared to 16% in 2004, when the IT sector held the top spot at 37%, now 25%
- The proportion working in telecoms has risen to 16% from 5% in 2004, and in the oil and gas sector to 13% from 7%.

What respondents liked about PCG

"Genuine, positive, professional and helpful attitudes."

"The tax problem support service. Superb website – informative and helpful. Contract templates – ideal. Ashridge Virtual Learning and info online."

"It gives me the confidence to continue to run my business independently and not cave in to government or other organisations."

"Feel safe in the face of IR35, very well informed. Robust, credible lobbying body on all fronts. Raises awareness of importance of flexible workforce."

"The insurance and advice in with the membership fee, the sense of camaraderie and of feeling there are others out there in the same boat, is worth a lot more."

"The pool of expertise and information."

"Sense of belonging to a group of like-minded people with common issues and concerns."

"PCG has been an invaluable source of information. I am a 'one-man band' and it also gives me a feeling of belonging in the business world. Somewhere to turn."

"Advice on legal and tax matters, analysis of government legislation."

"Provides the best and most relevant advice to freelancers through a number of channels."

"Lots of useful info within one place, plus links to related service providers."

"Great suite of products. Invaluable source of legal and commercial advice. The fact that it provides a single, coherent voice representing freelancers to government and other businesses."

"Clear, well researched information. Determined and enthusiastic staff and contributors."

"The wealth of information on the website – forum, contracts, guides and the fact that I feel that this organisation is supporting me to reach my professional and financial goals."

"You look after our well-being and the insurances for IR35 and S660A are great."

"Source of information. It covers every aspect of everything my business needs. Better and more reliable than my accountant. Worth every penny."

"Unites people in the same position who have no say as individuals but have influence as a collective."

"Reassurance there's an organisation responsive to contractors' needs because they change."

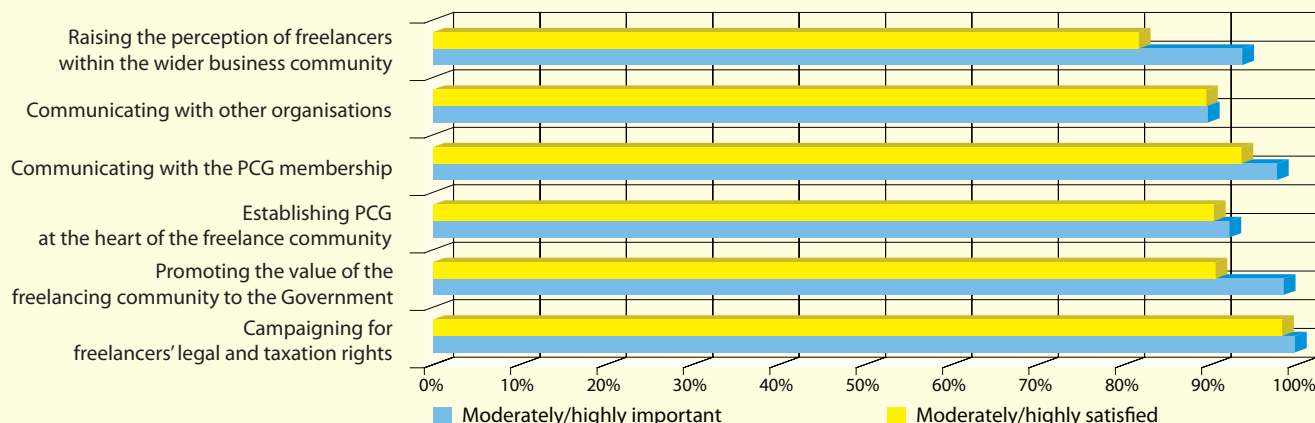
"Knowing that someone is directly supporting what I do and trying to make people realise how important we are to the UK economy."

"Representation of professional consultants in a complicated world. Assessing new legislation and translating into easily read guidance."

"Very active and effective lobby group. Great champion of contractor and freelance community."

"Membership gives a great deal of reassurance that I would get the very best level of support and guidance in the event that HMRC came knocking on my door."

Satisfaction with PCG's delivery of its objectives



Performance and expectations

- 52% enjoyed an increase in turnover, and 48% an increase in net profits
- 21% suffered a decrease in turnover and 25% a decrease in net profits
- 82% expect their turnover to stay the same or increase next year
- 42% had an increase in business opportunities and 38% expect an increase next year
- 22% anticipate an improvement in the overall economic climate next year, 60% think it will stay the same, and 18% expect a downturn.

Current issues

- IR35 still leads as the single most important issue of concern, followed by S660A, regulatory burdens and pensions/retirement provision
- 50% identified IR35 as the single most important issue for PCG to campaign on, with 14% rating the complexity of the tax system, and S660A and the recognition of freelancing by government, EU and business ranking jointly in third place, with nearly 14% each
- 54% think there are barriers to training, mainly in terms of price and tax treatment.

Engaging with PCG

- Forum usage is up, and 56% of forum visitors post, compared to 2004, when just 38% said that they posted. A further 22% admit that they read but don't post
- 34% find the forums a valuable source of advice, 38% do not have the time to use them, 17% like the professional forums, and 12% think they are friendly and fun (multiple answers permitted)
- Over 87% read the regular newsletter, visit the PCG website and read the *Freelancing Matters* magazine.

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Developing personal networks

Even before I got so involved in business communications, I always believed that networking was the way to get business. I feel it's a large factor in why I've been out of work for only six weeks in the last 30 years.

The precursor to effective networking is that you have to be good at what you do. It seems so obvious, but in a networking relationship, you are asking someone to recommend you and that puts their reputation on the line. If your reputation isn't rock-solid, they aren't going to take a risk for you.

I normally start each contract with my own little business plan for the relevant part of the organisation. I look at where they're going and what skills they're likely to need. I look particularly at their strengths and weaknesses. Often the strengths are the things that people like doing, so they get done, and the weaknesses involve things they dislike and so get done reluctantly. These weaknesses are like a little gold mine to me. Even if it's not quite what they hired you for, people will rarely stand in your way if you're taking away their pain. So I start to take responsibility for the grotty parts of the department's work. This has a number of benefits. You're more indispensable, because people fear the consequence of your departure; it builds your profile and reputation and you become the focus for this work, proving that an old business adage is still valid: "where there's muck there's brass".

To me, networking is an attitude of mind. It's about understanding how you can build a network that will achieve your objectives, not only to get work, but also perhaps to:

- remove the agent from the communication loop
- get people to ring you when they are looking for someone with your skill set
- get people to refer others to you when they hear of a suitable opportunity.

Some industries, like mine – aerospace – will deal only with agencies and these days some organisations will deal with only one agency. Much as the agencies might keep in touch with the hirers, they will never know what's going on and you're always much

better off contacting the hirers direct. When I was finishing my previous contract, I rang my current department head directly. He had no vacancy, but knew his likely forward workload and so asked me to start, even though there was no current requirement. You would never see that opportunity through an agent.

The other two objectives are closely related. Every person you talk to may be able to give you work or refer you to others. The chance of just happening across someone who just happens to want your skills are remote. But each of them will have a range of contacts.

Networking is about building strong relationships with people, each one like a daisy. Your contact is the stalk. The petals, who are all their contacts, are also available to you. By ringing the hirer directly, you may find that even if they have nothing, one of their colleagues does.



Photo courtesy of PDPPhoto.org

So where do you network? External networking means you have to develop a good introduction, go to meetings where hirers meet and introduce yourself, explain what you do and build new relationships. These skills are easily understood and learnt, but need specialist information that is beyond this article. Even when you have the tools, you have to be able to deliver them confidently to strangers and be able to deal with the small-talk side of building relationships. In my experience, this is not always an engineer's strong point.

It makes more sense to start first where you have the greatest chance of a referral, nearly always with your current clients. Internal networking offers some clear benefits:

- you are largely networking with people you know, so it's easier
- they know your work and reputation and so will be far more willing to refer you to someone else
- it all occurs during the working day!

You get loads of networking opportunities during the flow of normal work. Every time you are with another hirer, this is your time to impress and build a relationship.

One of the strongest motivators for people to help you is the law of reciprocity – "you scratch my back, I'll scratch yours". People are always driven to help you if you've helped them first. While fulfilling fully your function for your current client, think also what can you do for the other hirer that will make their job easier. I once had to liaise with my department head's opposite number in an aerospace company. I looked for ways to help him outside the scope of my project and we got on well. After I left, I was looking for more work for my new clients and rang him up. I was treated as a friend and the relationship brought a large work package as a result.

Every time you meet another company is an opportunity to network. I always have some personal business cards with me.

Finally, if you're successful, people will always assume you don't want referrals, so you have to tell them. When you're meeting people outside your company, tell them you're receptive to referrals. I usually ask when I've presented satisfactory work. Saying, "If you know anyone else who's interested in this quality of work, I'd like to hear from them," will rarely cause offence, particularly when people are pleased with you.

When you finish a contract, remind them as you go that you're looking for referrals. An email with your contact details saying, "If you hear of anyone else looking for my skills, please let me know" means they will think of you when there's a need, and will have all your contact details to hand.

Contracting is a business like any other and benefits greatly from effective networking. A little effort building your own personal network can keep you in work for years.

Bob Ferguson is a chartered engineer with 30 years' experience contracting in the aerospace industry. He also has an MBA, which gives him a very business-focused approach to contracting. He was UK and Ireland International Speech champion twice and represented the UK at the World Public Speaking Championship in Texas.

His time is currently split between running aerospace contracts and speaking to professionals on business networking and communication skills.

See www.bobferguson.biz

Demand surges for independent consultants

The past few years have borne witness to a sizeable surge in the demand for experienced freelance consultants to come and boost the headcount at consultancies of all shapes and sizes. Many consulting firms, including the top brand strategy consultancies, are discovering the benefits of associate staffing as an answer to volatility in the consultancy market and the increasing need for experienced specialists. It's a trend that is proving equally popular amongst consultants themselves with an increasing number of them discovering the merits of working freelance.

Research suggests that more and more consultancy firms are modifying their staffing models, increasing their staff flexibility and expanding their talent pools by making greater use of associate consultants.

Mindbench, a recruitment company founded in 2003 to address the new challenges facing the consultancy market, estimates that there are around 60,000 management consultants working permanently with consultancy firms in the UK, and around 10,000 independent or associate management consultants with previous experience in permanent consulting roles.

What's more, that number looks set to increase if the research is anything to go by: in the June 2005 Mindbench study of 21 consulting firms, 70 per cent of these firms said they expected to increase their use of associates from 2005 to 2006.

What is behind this increase in demand for freelance contractors?

One reason is the growing need for consultants with specialist knowledge of industry sectors and functions such as strategy and performance improvement. Even for the bigger consulting firms, it would prove too expensive to use a team made up entirely of permanent staff for those niche projects requiring consultants with specialist skills, so they find themselves turning to freelancers to help fill the gaps.

For smaller consulting firms, freelancers are extremely useful, even vital, as it allows them to manage with a small core of permanent staff and to avoid all the fixed overhead costs involved in employing a large team.

Equally valuable is the fit of the individual within the team and by trying a contractor out for one project, a company can see how well that person might fit in, both in terms of skills and personality, on a permanent basis.

Mindbench has developed a quality network of the best management consultants to fulfil project requirements. The network of freelance consultants includes all levels and specialisations of consulting skills.

Richard Stewart, founder of Mindbench, explains: "A lot of consultancies want a more agile organisation, not spare talent sitting around." He predicts continuing high demand from the recently reinvigorated financial services sector and in particular from the hugely active public sector.

Increased demand isn't the only factor behind the growing numbers of freelance consultants. More and more consultants are electing to work as associates because it offers them the opportunity to choose work that they are genuinely interested in.

"A lot of consultancies want a more agile organisation, not spare talent sitting around."

Richard Stewart, founder of Mindbench

Many consultants work at firms such as McKinsey or Bain to gain the consulting skill set that they can then use in independent work. Freelance consultants can specify where and when they want to work and can choose the areas of consultancy which appeal to them.



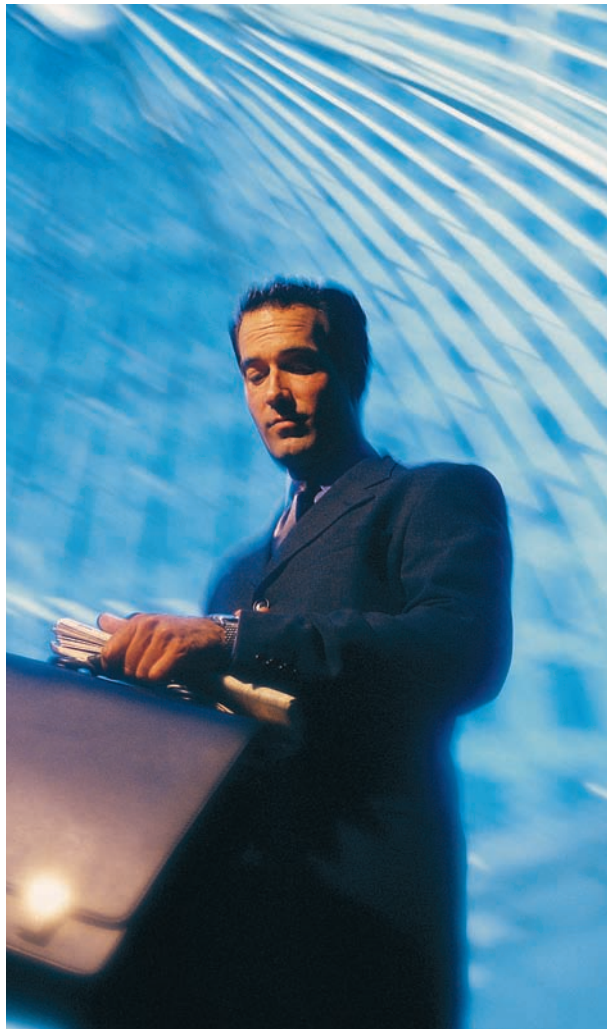
It also allows them a healthier "work-life" balance and the potential earnings, although not guaranteed, are comparable to or higher than those achievable as a permanent employee. In addition, according to Richard Stewart, many consultants who have left major firms relish the challenge of joining smaller practices and being on call for projects.

"Of course, one of the great advantages of freelancing is that you get to meet a lot of new people and learn from different processes, expertise and experiences. In fact you get to work on an even wider variety of jobs and industries than most permanent consultants."

Phil Wilson, independent consultant

Phil Wilson, an independent consultant since 2002, agrees: "The advantage of working as a consultant is not being tied down to any particular industry, sector or discipline. Being freelance augments this feeling and allows me the freedom to pursue my own cases and business ideas. Of course, one of the great advantages of freelancing is that you get to meet a lot of new people and learn from different processes, expertise and experiences. In fact you get to work on an even wider variety of jobs and industries than most permanent consultants."

See www.mindbench.com



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Randell Dorling acts on behalf of Royal & Sun Alliance Insurance plc via Saturn in relation to the PCG Professional Indemnity, Public Liability and Employers' Liability programme. Randell Dorling Limited was specifically created to administer the placing of insurance for groups of professionals and has been insuring PCG members since March 2000.

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New and revised guides

PCG has published a new *Guide to Pensions*. Intended to give PCG members an overview of the options available to them for retirement planning, it focuses primarily on pensions, taking into account recent changes in the rules and further reforms still under consideration.

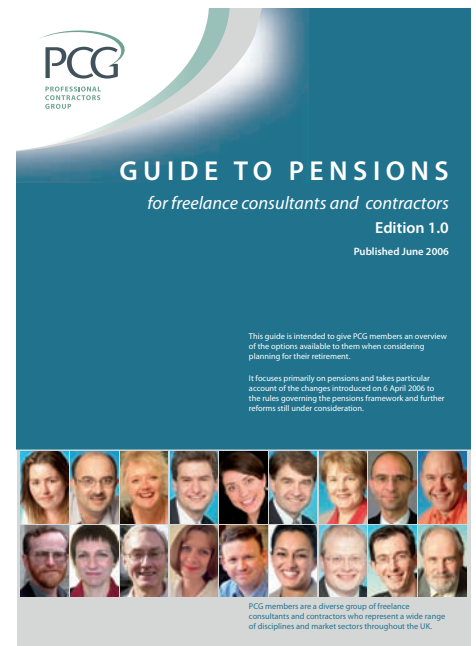
The guide, produced in collaboration with five independent financial advisers and two firms of accountants, forms part of a suite of guides written and produced by PCG specifically for freelance consultants and contractors. Two of the others in the suite, the *Guide to Freelancing* and the *Guide to S660A*, have been updated, and revised editions will be published shortly. Over 8,000 copies of the *Guide to Freelancing* edition 3.0 have been downloaded from PCG's new website since it went live seven months ago, and over 1,500 copies of the *Guide to IR35*.

Announcing publication of the *Guide to Pensions*, chief executive John Thomas said, "A-Day on 6 April this year brought with it sweeping and radical changes for freelance consultants and contractors. There's far more flexibility as to how you can access existing pension holdings and there have been major changes to the rules surrounding ongoing investments.

"On the face of it, the new rules look attractive for limited company contractors, but there are definitely some catches to be aware of, especially in the area of employer contributions," he continued. "HM Revenue & Customs had initially proposed allowing inspectors considerable scope to deny tax relief for employer contributions. PCG was among the organisations to comment on HMRC's draft guidance to inspectors, and we are pleased to see that inspectors must now take a realistic view of the remuneration package offered by businesses in this regard."

A full overview of HMRC's approach to employer contributions may be found within the guide.

The Guide to Pensions does not constitute legal or financial advice and neither PCG nor any contributor to the guide may be held responsible for any consequences of actions taken as a result of reading it. Readers should use their judgement to decide whether or not they feel competent to arrive at decisions on these matters and, if not, seek bespoke professional advice.



All PCG's expert guides, including the new *Guide to Pensions*, are available for members to download from the Library section of the website.

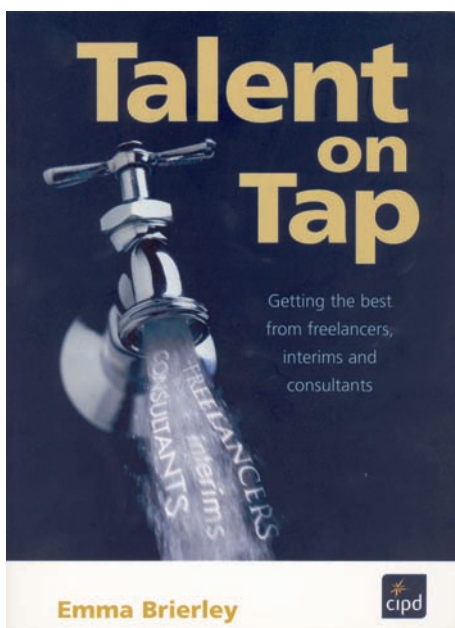
PCG moving offices in September

PCG will be vacating its current office accommodation at Sovereign Court on Friday 1 September 2006 to move to larger premises nearby.

From Monday 4 September 2006, PCG will be operating from its new address.

New address:

Building 4, Heathrow Boulevard
286 Bath Road
Sipson
West Drayton
UB7 0DG



The book can be purchased online from Amazon via www.pcg.org.uk/talent

Talent on Tap

In April, the Chartered Institute of Personnel and Development (CIPD) published *Talent on Tap: getting the best from freelancers, interims and consultants*. The book, written by Emma Brierley, includes contributions throughout from PCG.

Talent on Tap aims to help organisations take advantage of a skilled, flexible and highly focused freelance talent pool. It takes a comprehensive look at how organisations can build and manage productive, long-term relationships with the best freelance consultants, even when their skills are in high demand.

In his foreword to *Talent on Tap*, Simon Juden writes, "The freelance market has grown considerably in recent years and studies suggest that this trend is set to continue.

"The book is full of practical, pragmatic advice and guidance, and in my view represents an invaluable addition to the hirer's arsenal, providing clear and useful insights into areas which may be unfamiliar or have changed recently, as well as reference information for those experienced in dealing with the freelance workforce."

Emma Brierley, who is chief executive of Xchangeteam and writes and speaks regularly about freelance issues, HR and recruitment trends, said, "I am very grateful to PCG for their valuable contributions – a wealth of information about IR35 and various legal issues, help with case studies and of course the master contract templates that appear in the appendices."

See www.cipd.co.uk and www.xchangeteam.com



New business is a great boost for a freelancer, but a sale is not complete until payment is received. You are in business to make money; winning a contract is the first step, but a strong collections process is vital to safeguard your cash flow.

To protect yourself from late payment, it is essential to get the credit management basics right. This means making the payment terms clear in the original contract and credit vetting new customers. If you are not completely happy that the company will pay to credit terms, do not be afraid to ask for payment up front – a credit limit is a reward for good payment and not an automatic right. Once satisfied that the company is creditworthy, ensure that the customer's details are recorded accurately with full company name and business address and home address for the company director.

After these basic steps, it is important to have a strong collections process to obtain payment once you've done the job. The invoice is the first part of this process. Set invoices out logically and clearly, stating the invoice date, account number, amount due, date by which payment must be made and preferred method of payment. If you intend to invoke your right to statutory interest and compensation for debt recovery costs in the event of late payment, you may wish to include the following phrase on your invoices and reminder letters: "We understand and will exercise our statutory right to claim interest and compensation for debt recovery costs under the late payment legislation if we are not paid according to the agreed credit terms."

Collecting the cash

The initial invoice should be followed by reminders – letters, emails, faxes, telephone calls and, if necessary, personal visits. Telephoning is generally the most effective collection method, but letters could be used for any overdue accounts too small to telephone, while emails and faxes are useful tools in the collection armoury as they convey urgency and often beat defensive barriers when letters are being ignored or phone calls diverted.

When contacting your debtors by telephone, it is important to:

- **Be systematic** – incorporate phone calls into your collection strategy. A good strategy will timetable appropriate dates for issuing invoices, making phone calls and issuing reminders.
- **Be prepared** – check that the information relating to the outstanding debt is correct and that the information is readily available when making the call, i.e. the account number, the invoice date and the balance due.
- **Be courteous** – remember that every contact you make with your customer can add to your existing relationship. A professional but friendly approach can earn your debtor's respect and cement loyalty.
- **Be organised** – log the details of the call to remind you what action to take next, but make sure that you do not log any information that contravenes the Data Protection Act 1998. The website of the Office of Public Sector Information includes further details on this Act.

In the collection process, you may encounter customers who either can't or won't pay. At this point you may wish to impose collection sanctions such as stopping supply, reviewing the credit limit, imposing interest, use of a collection agency or legal action.

For customers who genuinely can't pay, it is important to determine the cause of the problem and how serious it is, what is being done to resolve it, what you can do to help and what, if any, assurances can be offered in return for your help. It may be in both your interests to negotiate a settlement – perhaps by introducing a payment plan. For customers who simply ignore requests for payment, or make endless promises to pay, some final action becomes necessary and should be taken without delay, such as passing the debt to a collection agency, pursuing the debt through the County Court, or seeking assistance from a solicitor.

The secret to effective collections lies in underpinning your customer relationships with systematic and consistent credit management practices. Credit vetting, terms of trade, accurate invoices and a good rapport should all form part of the structured approach you take when dealing with your customers. A strategy such as this will go a long way to help you get the prompt payment to which you are entitled.

Philip King is a member of the Better Payment Practice Group (BPPG) and Director General of the Institute of Credit Management. See www.payontime.co.uk, www.icm.org.uk and www.opsi.gov.uk

Success for four out of five companies who have issued a winding up order

A BPPG survey of UK companies found that of those that had issued a winding up order, which can be issued to put a business into compulsory liquidation when it does not pay its debts, four out of five had been successful. Of the 370 respondents, 27 per cent had issued an order and of those, 82 per cent were successful.

Philip King commented, "Winding up orders should be seen as a last resort and only used when other collection methods have proved ineffective. It is also sensible to serve a Statutory Demand on the company first. This is free, save for the cost of preparation, and failure to comply with a Statutory Demand within 21 days is an automatic ground for winding up. If a company is solvent, the mere threat of

winding up is often effective in getting them to pay what is due.

"However, as the poll shows, issuing a winding up order against a company can be an effective method to obtain payment of outstanding debts. It works by winding up the debtor company if payment is not received within 21 days and then using its assets to pay those who are owed money. However, if the company is insolvent when it is wound up, there are unlikely to be sufficient assets to pay all creditors in full, and only a proportion of the outstanding debt will be settled. In addition, court fees have to be paid to bring an action and, although the court will add these to the amount owed, there is no guarantee that they will be recovered."

Financial issues for first-timers

Moving from permanent employment to a contracting career has immediate and long term financial issues to consider: What contract rate will ensure equivalent or more net earnings as before? What rate can be charged? What are the impacts of IR35? How much do you need to cover existing benefits? How can you maximise your earnings?

Minimum starting contract rate

Contractors typically earn more than their counterparts in permanent employment. ContractorCalculator's *Permanent to Contracting Calculator* shows that someone earning £25,000 per annum requires a minimum contract rate of £15 per hour (£19 per hour inside IR35) to earn the same via contracting. Other equivalent rates are shown below.

Salary	Hourly rate	
	Outside IR35	Inside IR35
£25,000	£15	£19
£30,000	£17	£23
£35,000	£21	£26
£40,000	£23	£30
£45,000	£25	£35
£50,000	£27	£39

Effects of IR35

IR35 is a piece of tax legislation that came into force in April 2000. It means some contractors are treated for tax purposes as employees and pay significantly more tax. IR35 status, inside or outside, depends on each contract rather than the individual.

Our *IR35 Calculator* shows that operating inside IR35 is very expensive. For example, a contractor earning £30 per hour inside IR35 will take home around £730 less each month than a contractor outside IR35. For the contractor inside IR35 to earn the same as a contractor outside IR35, they would need to increase their rate to £40 per hour.

Contract terms are negotiable and it makes more sense to focus your negotiations primarily on remaining outside IR35 rather than on earning a few extra pounds in rate.

Sickness, holidays and benefits

When calculating a minimum rate, sickness and holidays should be considered together with other employee benefits that are not available to contractors. A contractor typically works between 44 and 46 weeks per year. Other employee benefits like medical cover, health insurance etc can be catered for by an extra £3 per hour to cover premiums.

Determining an initial rate

Asking friends and associates in the industry can often be the best guide to establishing an initial rate. Asking agents for advice can be useful, but bear in mind that their job is to buy the goods (i.e. you) at the lowest possible price and charge them on at a higher margin to their client.

Using agents

Agents are a cost-effective method of outsourcing sales activities to secure contracts. Attempting to bypass agents and contract directly will not necessarily secure better earnings. Not only could there be more downtime between contracts, but cutting out agents does not necessarily mean earning a higher rate since the client will expect to save due to the direct route they have also taken.

Agency margins vary according to contractor's negotiation skills and average around 15 per cent. For a contractor earning £30 per hour, a 15 per cent margin over one year is covered by approximately the first seven weeks' work.

Via a direct route, say an extra £2.50 per hour (roughly half the margin) could be charged – but the contract would need to be found within four weeks to earn more over the next year, compared to having no downtime and taking an immediate contract via an agency for the same rate. Securing a direct contract in four weeks will be tough unless you have good sales experience or a large network of contacts.

Renewing contracts

After starting a contract, renewal time represents the next opportunity for increasing earnings. Judging the bargaining position and negotiating well is key.

Our *Contract Financial Profile Calculator* shows that for a contractor earning £30 per hour, each rise of £1 per hour will result in extra take-home pay of £83 per month (outside IR35) or £68 per month (inside IR35).



IR35 negotiations

For contractors inside IR35 on £30 per hour, negotiating new terms to be outside IR35 results in an extra £730 per month take home pay, equivalent to a £10 per hour rise. Suffice to say, the first stage of negotiations for contractors caught by IR35 should be to try and negotiate more favourable terms.

Our *IR35 calculator* shows that if a contractor left an existing client to search for a new contract outside IR35 for the same rate, they could take 11 weeks before securing one and still earn the same as if they renewed the existing contract. Downtime between contracts is normally costly, except in the situation when moving to a new client with a more favourable IR35 position.

Maximising earnings

The most important way in which to maximise your earnings as a contractor is to learn effective sales and negotiation techniques to avoid selling yourself short on rate. Next, is to remain outside the IR35 legislation which can destroy your net earnings. Once the financials are working, staying in a good position can be achieved by continually keeping skills updated to remain in demand for the long term.

Dave Chaplin of ContractorCalculator has provided this article for general guidance only. It is recommended that you seek advice relating to your own circumstances from a qualified accountant or tax lawyer.

See www.ContractorCalculator.co.uk and www.pcgcalculators.org.uk

Affiliate and agency news

Accountax wins tax status case for 29 scaffolders



Dave Smith, Accountax Consulting

Accountax Consulting recently won another tax status case, *Mark Lewis t/a MAL Scaffolding v HMRC*, at the Special Commissioners.

Mr Lewis was a sole trader who engaged 29 scaffolders and labourers on a self-employed basis. The Revenue decided that they should have been employees and assessed Mr Lewis; the appeal went to the Special Commissioners.

Despite the fact that there were no written contracts and that two of the workers had established themselves as employees at a previous employment tribunal, Accountax won the appeal for all 29 workers and the court held them all to be self-employed.

Managing director Dave Smith said, "As always, the case was argued on the fundamentals of personal service (substitution), mutuality of obligations and control.

"An interesting point emerged in the judgment: the Special Commissioner felt this was a case where the Revenue had convinced themselves that if they looked hard enough they would find an employee relationship and had then set out to establish what they had already decided they were looking for.

"This should remind the Revenue that they should be fact finding and neutral," he explained. "If they adopt a biased approach, they will lose."

See www.accountax-ltd.com

Baker Watkin gears up for growth

To support its growing portfolio of clients, Baker Watkin has appointed Paul Craggs and James Abbott as equity partners.

Paul has been with the accountancy practice in Stevenage for 21 years and James for 9 years.

A qualified chartered tax adviser and chartered certified accountant, James specialises in all forms of personal and corporate taxation. He recently took part in the PCG (QA) scheme and was successful in achieving certification.

Afterwards he said, "The requirements of PCG (QA) are rigorous and rightly so. PCG members need to know they are receiving the best advice from their accountants, and everyone who went on the course would have learnt something they didn't know before."

Baker Watkin now has four partners and a team of qualified and trainee accountants with supporting staff.

See www.bakerwatkin.co.uk

New contract template for REC member agencies

PCG and the Recruitment and Employment Confederation (REC) have set a new benchmark with their approved contract template for REC member agencies engaging limited company contractors.

The terms of the agreement are specifically for use where the limited company contractor has opted out of the protection of the Conduct of Employment Agencies and Employment Businesses Regulations 2003 and will not be under the direction, supervision or control of the client. REC member agencies will be able to download the template from the REC website, and may use it for all their qualifying contractor clients, including those who are not PCG members.

PCG approval of the contract, which was vetted by expert advisers, is subject to it not being modified in any way, and PCG members will be able to verify this by downloading the approved template from the PCG website. PCG will also publish a list of REC agencies that wish to make it known that they use the PCG-REC contract.

PCG chief executive John Thomas said, "This agreement will be beneficial to agencies, clients and freelance contractors operating outside IR35, and we would like to thank

the REC for collaborating with us on this important project. As the recruitment industry's representative body, the REC has considerable influence and we welcome their endorsement of a best practice business-to-business contract. Unlike temporary workers, independent contractors operate as businesses and do not seek the protections accorded under employment law, and their contractual arrangements need to reflect this."

Gareth Osborne, managing director of the REC, welcomed the agreement. "Providing legal advice and model documents is an important service that we offer our members," he said, "and we see our co-operation with PCG and the adoption of this new agreement as part of our ongoing work to highlight the valuable contribution of contractors to the UK economy. Clients, agencies and contractors should not be confused or concerned by the outcome of recent employment status cases if they have genuine business-to-business relationships and the appropriate contract terms in place."

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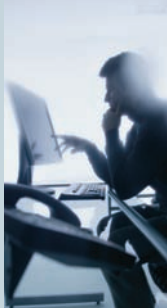
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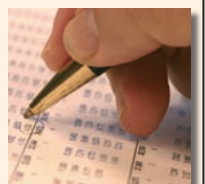
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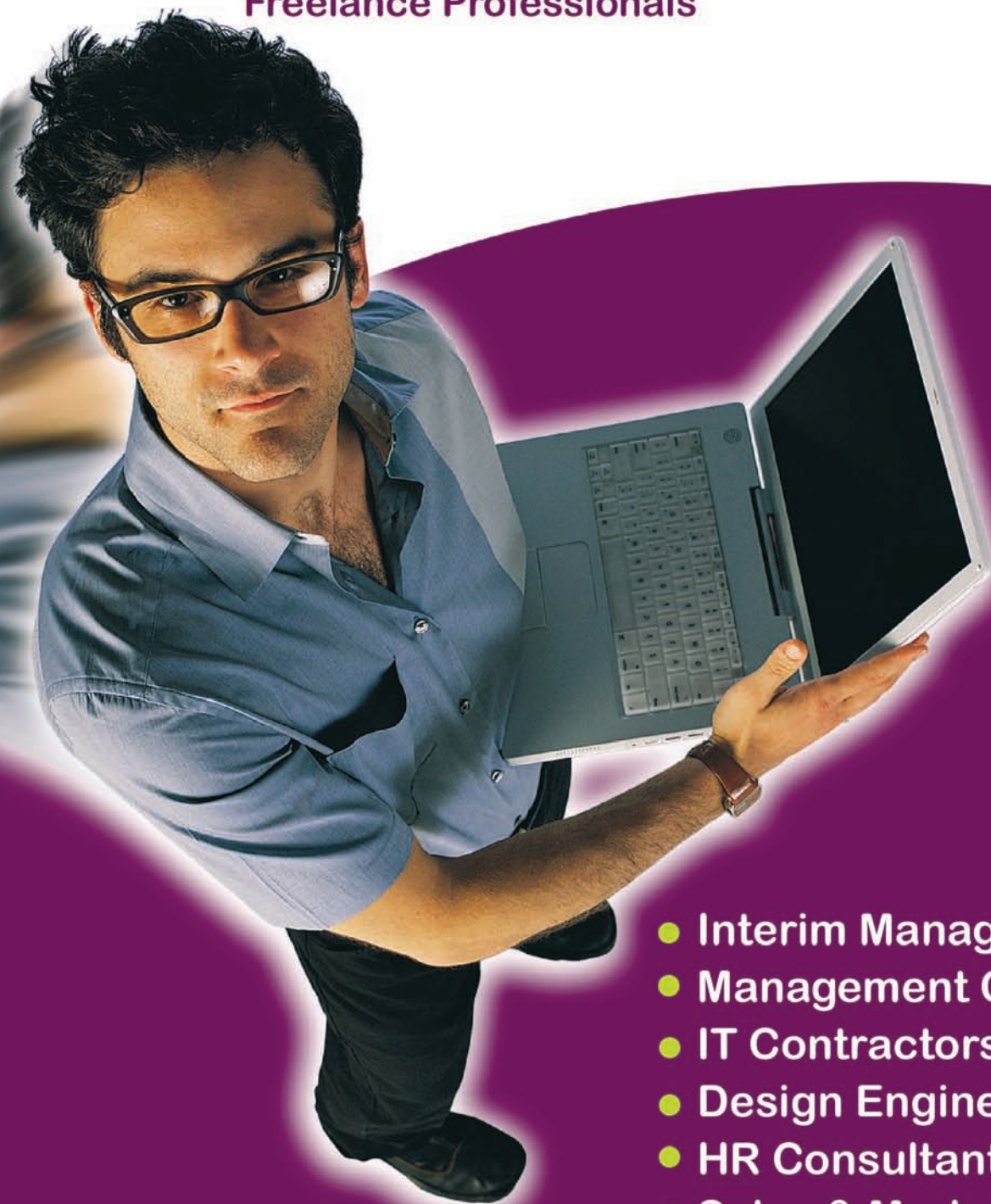
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