

Freelancing Matters



**Protecting
and promoting
the interests
of freelancers**

**Working from
home**

**IR591: call for
clarity and
consultation**

**Freelancer
seminars
around the UK**



Simon Griffiths
Chairman

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Freelancing Matters is published by PCG Ltd, Lakeside House, 1 Furzeground Way, Stockley Park, Uxbridge, Middlesex UB11 1BD

All enquiries:
T: 0845 125 9899
E: info@pcg.org.uk
W: www.pcg.org.uk

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PCG calls for clarity and consultation

Welcome to the third edition of Freelancing Matters.

Despite an unfavourable economic climate, burdensome levels of taxation and a growing mountain of red tape, freelancing in the UK continues to flourish. Between 1979 and 2001, the proportion of managerial and professional workers who were self-employed grew by almost 300 per cent, and we estimate that there are now around one million freelancers in the UK.

The virtual collapse of the IT marketplace has hit some PCG members hard. Successive member surveys last year showed around a quarter of the membership being without contracts at any point. I have been amazed at the resourcefulness and fortitude shown by them in the face of adversity. Many have diversified into other aspects of their business, whilst others have started businesses of all types - from diving schools and photography to home maintenance and, of course, software development. The good news is that the marketplace for IT skills does seem to have turned a corner, with a 20% increase in demand in the last six months. Outside IT, the prospects have been looking very much better for PCG members, 97% of whom currently have projects. Let's hope that this is sustained and that it may even result in an increase in rates within some disciplines.

A new attack on freelancers by the Inland Revenue has been via the "settlements legislation" - Section 660A. Despite much behind-the-scenes lobbying by PCG and others, the Revenue seems determined to give this arcane legislation a new and unfair interpretation. PCG has reluctantly recognised that its only course of action is to take this issue to the courts. We have engaged one of the UK's leading tax QCs, who will be representing Arctic Systems at the Special Commissioners within the next few months.

Two years spent campaigning about agency regulations proved successful, for which we would like to thank the DTI. The Conduct of Employment Agencies and Employment Businesses Regulations 2003, most of which will come into force on 6 April 2004, includes an opt-out clause. This allows limited company contractors, who are often highly paid and highly skilled, to opt out of being covered by the regulations, whilst preventing vulnerable workers from being forced to do so. We also scored a victory at the International Labour Organisation (ILO) conference in defeating the "dependent contractor" proposal.

Since the last edition of Freelancing Matters, the most noteworthy event has been the Chancellor's announcement in paragraph 5.91 of the Pre-Budget Report on 10 December of "specific proposals ... to ensure that the right amount of tax is paid by owner managers of small incorporated businesses on the profits extracted from their company ..."

It is not yet clear what the Treasury's proposed measures - which we and others are calling IR591 - will entail, despite suggestions that they will be implemented in April this year. We are concerned about the lack of clarity, the absence of consultation, and the shadow of uncertainty cast over the small business community. We are also unhappy about these changes being portrayed as anti-avoidance measures, whereas they would in fact constitute tax increases for almost every owner-managed incorporated business in the UK.

We call upon the Government to publish its proposals for IR591, to consult those representing the hundreds of thousands of businesses likely to be affected, and to conduct a proper Regulatory Impact Assessment. If you wish to support us, please visit our new website dedicated to this issue at www.ir591.org.uk.

Useful contact numbers

PCG administration and support helplines

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

Contract review service suppliers

Accountax	01908 277 377
Bond Pearce	023 8082 8807
Egos	01534 729 977
Lawspeed	01273 236 236
SJD Accountancy	0500 152 500
Qdos Consulting	01455 850 000
PI & liability insurance	
Randell Dorling	020 7929 5454

Member services update: New insurer and claims handler

One of the many benefits of PCG membership is the core bundled insurance, which covers members for professional fees relating to any tax investigation including those on IR35, S660A, PAYE, VAT and other matters.

Following a recent change of ownership of the previous insurer (National Insurance and Guarantee Corporation - NIG), its entire Special Risks portfolio was put into "run-off" and discontinued, which meant that PCG had to find an alternative provider for both the bundled core tax investigation cover and PCG's proprietary tax investigation insurance enhancement product, Route35.

PCG has placed both insurances with Brit Insurance Limited for a period of 12 months from 1 January 2004. Abbey Tax Protection Limited (ATP) will be acting as claims handler, with Lawspeed engaged for its IR35, S660A and legal expertise to deal with the relevant disputes.

The key selection criteria were quality of service, rating of the insurer, track record of the claims handler in providing IR35 and S660A advice, price, and the potential to build a long-term relationship. PCG also insisted that both policies be fully underwritten so that members could be certain of cover in all circumstances.

The new core bundled policy is called Professional Expenses Insurance (PEI) and has been enhanced significantly to offer even more comprehensive cover than its predecessor. Additional benefits include:

- ◆ **50% cover increase to £75,000**

The amount of cover on any one claim has increased from £50,000 to £75,000.

- ◆ **Normal business records only**

Cover is not conditional on strictly following a complex or contrived audit trail - normal business records are sufficient. Many other insurances require time-consuming additional records to be kept or procedures to be followed.

- ◆ **No P35 exclusion**

Ticking the box on the P35 indicating that the member operates a Personal Services Company is no longer considered sufficient grounds for disqualifying a claim.

- ◆ **Aspect enquiries included**

Specific inclusion of aspect enquiries.

- ◆ **No submitted contract exclusion**

Members who have submitted their contract to the Inland Revenue for an opinion will still be able to purchase Route35, regardless of the outcome of the Revenue opinion.

- ◆ **No failed contract exclusion**

The new PEI now covers members who have had a submitted contract "failed" - providing that the tax is correctly paid as within IR35 on that contract or that there have been significant circumstantial changes that mean that the original Revenue opinion is no longer applicable.

- ◆ **Contract opinion challenge support**

PEI allows a member to challenge a revenue contract opinion (assuming a reasonable argument).

Please note that it remains PCG's strong advice that members should not use the Revenue's contract review service.

"Insured clients are nearly five times more likely to escape additional tax than businesses which do not have the benefit of Professional Expenses Insurance."

The following arrangements apply from 1 January 2004:

- ◆ Abbey Tax is the agent and claims handler for PCG's tax insurance policies (PEI and Route35).

- ◆ Abbey Tax is providing the PCG tax helpline support on 0845 125 92 52, which is free for all general taxation enquiries. This service is not for detailed individual tax planning.

- ◆ Lawspeed will provide specialist case support to Abbey Tax for IR35 and S660A cases.

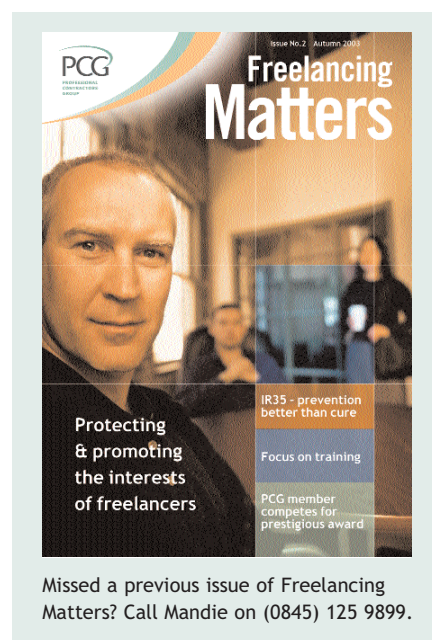
Highlighting the importance of having insurance cover, Paul Mason of ATP said, "Our claims analysis statistics show that, of Self Assessment Returns taken up for full enquiry by the Inland Revenue, 51% were in the

service sector and over 34% had annual turnovers of less than £50,000. Insured clients are nearly five times more likely to escape additional tax than businesses which do not have the benefit of Professional Expenses Insurance."

PCG advises purchasers of other tax investigation insurances to satisfy themselves that the insurance company with whom their policy is placed remains committed to providing ongoing legal expense insurance cover.

Similarly, a recent Times article carried stark warnings from accountants that some policies "will not even offer cover for a 'full' investigation - only for the lower-scale so-called 'aspect investigation which focuses on one or two parts of the tax return." In the article, Francesca Laderburg, tax partner at Smith & Williamson, the accountants, is quoted as saying "Many policies put a cap on fees at a level which, if an in-depth investigation is carried out, could be only a fraction of the total costs incurred." Ms Laderburg goes on to advise "It is vital that individuals, as with any insurance policy, read the small print and check exactly what they are paying for." Purchasers of PCG's PEI and Route35 products need have no such fears.

On a separate but related note, further good news for members is that PCG continues to work very closely with Accountax in its case law strategy and will continue to do so in the coming months on a number of IR35 cases as well as the first S660A case.



Missed a previous issue of Freelancing Matters? Call Mandie on (0845) 125 9899.



Profile of a freelancer: Kathy Evans

Kathy Evans is 48, and her Gateshead-based company, Vendetta Business & Technical Services Limited, provides IT consulting, PC and network installation and support, technical writing, training, web site creation and a host of related services.

Despite having enjoyed a privileged childhood as the daughter of university lecturers who were friends with famous people like Kingsley Amis and Philip Larkin, Kathy had a difficult time at school and a somewhat rebellious adolescence. She narrowly missed being sent to a special school because the local authority thought that she was retarded, whereas in fact she was just very short-sighted. Her parents sent her to a public school, which she now believes taught her to become self-reliant and good at organising.

At Oxford, she became active in politics, and got married to the son of late poet Leonard Clark - a bad decision which in retrospect she sees as being motivated purely by teenage rebelliousness. She supported herself by working as a cashier for a motorway service outlet, and got her degree in Modern History.

Her husband had a Victorian Cropper Charlton Peerless press, which was treadle-operated and dangerous. Together they ran a small printing business called MELT, their acronym



Gateshead Millennium Bridge. Photograph courtesy of Gateshead Council. Image by i2i Photography.

for Marx, Engels, Lenin and Trotsky. Kathy, who had been pony-mad as a child, also worked as a freelance riding instructor. Whilst her husband did a post-graduate course, she moved to London to earn a living as a printer. They eventually moved up to the North East, and Kathy started work with a local printing company, but was stunned by the amount of prejudice against women in technical jobs. She left there to run a riding centre for local builders, but it was closed by the planning authorities after 18 months.

"I wanted to be a sparky, but they said it was daft on Tyneside because nobody would employ me."

After a spell of freelancing, Kathy borrowed funds from her mother-in-law to buy a run-down saddlery shop, and learned to make and repair saddlery. When her marriage broke up, she had to pay back the loan immediately and sell the shop.

On the dole then, Kathy was sent on a Job Training Scheme. "I wanted to be a sparky," she says, "but they said it was daft on Tyneside because nobody would employ me. I did secretarial studies instead." She learned word processing, and got a temporary job with the Geological Survey for a year, working on databases. She realised how little she knew, and so bought a computer and trained herself. She then worked as a clerical officer in the housing department for a year or so, typing letters for people who could not spell. After that, she went to work for Employment Training, which was two grades higher, and then found a job as an IT trainer for a software house. At the same time, Kathy took up body building so that she could go to the gym with a friend who did not want to go on her own. As a result, Kathy became a qualified body building instructor and competed in several national competitions.

Eventually, she says, she "got fed up with the travelling and went to work for the Careers Service as an office manager." She also did a Diploma in Management Studies, for which she paid herself, but was unable to complete the MBA project as she was not senior enough at work to undertake an acceptable strategic project. When the Careers Service was

restructured, Kathy was head-hunted by the Council's Computer Services Department.

While there she did a post-graduate certificate in computing and achieved Microsoft certification at her own expense.

The subsequent management job at a local College of Further Education did not work out, and Kathy says "I was just drafting my resignation letter when I was made redundant." Worried about her financial situation, she found a six month rollout contract at the local nuclear power station. As the team leader, she was proud to finish on time and within budget, the only site to do so. This project provided her with the impetus to form a limited company.

Around half of Vendetta's projects are sourced directly, and the rest come through agencies, because, as Kathy admits, she is "no good at selling." She joined the Professional Contractors Group (PCG) in February 2000, and is also a member of the Federation of Small Business (FSB), Forum for Private Business (FPB) and her local Chamber of Commerce.



Angel of the North. Photograph courtesy of Gateshead Council. Image by i2i Photography.

Kathy is a regular contributor to a number of technical and freelancing forums on the Internet, and has earned the respect of her fellow freelancers for her technical prowess as a Microsoft Certified Systems Engineer, as well as her formidable writing and communication skills.

Kathy Evans is the Managing Director of Vendetta Business & Technical Services Ltd www.vendetta.co.uk, based on Tyneside in the North East of England.

Showing the way for e-corporations

PCG does not employ staff. The entire organisation is run by a network of suppliers, most of whom are freelancers and PCG members. Only three people operate from PCG's headquarters at Stockley Park - referred to as "PCG Towers" by some - and all three are freelancers with their own businesses.

When she is not treating callers to her legendary telephone manner, for example, marketing support manager Mandie Bell runs a locks and glazing business with her husband.

The marketing team operates from offices in Long Crendon, Welwyn Garden City and Uxbridge, working closely with an IT group spread out in locations from Wellington to Winchester and Hampton. One observer was stunned to discover that last year's very successful conference had been organised by a team of marketing and IT freelancers all working remotely from each other.

Technology is the most significant factor in making this virtual organisation possible. Email and the internet are indispensable, and the forums facilitate much of the collaborative effort. Windows Messenger has however proved to be the chief productivity boon; the conference web site went live after a major three-way testing and proofreading session via Messenger at six o'clock one morning.

"Given our origins as a group of mailing list participants," says Simon Griffiths, "it is entirely fitting that we should have evolved into a virtual organisation, a role model for the e-corporation. Furthermore, we espouse the value of freelancers to the UK economy," he continues, "and what better endorsement is there than to practice what we preach."

As the central hub, the Stockley Park office is a hive of activity, with a large volume of incoming and outgoing calls and email messages each day. The office receives a lot of enquiries about speakers, as well as invitations to participate in interviews or attend events. Jacinta O'Sullivan is meticulous about ringing people whose membership has lapsed, and in addition to all her other marketing tasks, Mandie looks after the affiliate membership. Kevin Stearns runs the finance and administration functions, but also keeps a watchful eye on the forums, and escalates any issues requiring urgent attention.

One recent newcomer to the PCG forums was most impressed at having a complicated question answered within ten minutes. Via the forums, members and affiliates have access to a wealth of knowledge and information about legal, accounting, taxation, marketing, technical, press and a host of other matters. The commercial forum facilitates the promotion of members' goods and services to one another.

The forums are at www.pcg.org.uk/threads

IR591: new tax threat to small businesses

Following the Government's announcement on 10 December 2003 of "specific proposals ... to ensure that the right amount of tax is paid by owner managers of small incorporated businesses on the profits extracted from their company," PCG has developed a new web site dedicated to the issue.

The proposed measures were outlined in paragraph 5.91 of the Pre-Budget Report 2003, in a chapter entitled "Building a Fairer Society", hence the coining of the term "IR591". PCG aims to be at the forefront of the impending consultation on IR591, representing the freelance small business community. It has seized the initiative by registering a new domain name and developing a website designed to be the focal point for information, advice, activity and discussion on IR591 within the freelance small business community.

PCG is calling for the Government to engage in a wide-ranging consultation process so that any forthcoming legislative changes can be used to enable small businesses to prosper. It has indicated its willingness to participate in constructive discussion with the Government so that it can bring to bear its unique understanding of the micro-business community.

The new website is at www.ir591.org.uk



2004 Events Diary

26 January	Alliance of Business Consultants (Ascot)	Speaking
28 January	Conservative Party Small Business Summit (London)	Attending
2 February	DTI offshoring seminar (London)	Attending
3 February	TAF/DfES skills strategy seminar (London)	Attending
17-18 February	Small Business Europe (Brussels)	Attending
24 February	Freelancer seminar (London)	PCG event
27 February	Affiliate day (Stockley Park)	PCG event
2 March	Freelancer seminar (Manchester)	PCG event
3 March	Freelancer seminar (Birmingham)	PCG event
4 March	Freelancer seminar (Bristol)	PCG event
9 March	Freelancer seminar (Swindon)	PCG event
10 March	Freelancer seminar (Croydon)	PCG event
11 March	Freelancer seminar (Southampton)	PCG event
19-21 March	FSB 30th anniversary conference (Blackpool)	Attending
8 and 9 June	Small Business Week (London)	Exhibiting
19-23 September	Liberal Democrat Party conference	Attending
26-29 September	Labour Party conference	Attending
4-7 October	Conservative Party conference	Attending
30 October	PCG annual conference and AGM	PCG event
7-9 November	CBI conference	Exhibiting

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



PCG takes freelancer seminars around the UK

In response to enthusiastic reviews received for the break-out sessions at its 2003 conference, PCG is organising a series of information-packed "Smarter Freelancing" seminars for freelancers around the country in early 2004.

Open to PCG members and non-members alike, the sessions will be geared towards the needs of veteran freelancers, new freelancers and those who are thinking about freelancing.

Based upon feedback from respondents to a survey conducted by PCG, seven of the most popular locations have been chosen for the first round of seminars. The survey also indicated that most freelancers would prefer to attend afternoon or evening sessions. This is reflected in the decision to run two sessions

at each venue, giving freelancers a total of fourteen seminar sessions from which to choose, each with identical programmes.

The seminars will be hosted by a team of PCG directors, experts and advisers, including tax expert Dave Smith from Accountax and Simon Dolan from SJD Accountancy. Delegates will have the opportunity to hear the latest news, views and advice on tax and accountancy issues, and to ask questions.

Part of the programme will also focus on developing "soft skills", learning to be more productive and effective at marketing and networking, and discovering how to adapt to meet the challenges of a changing global economy. The presentations will explore the theme of becoming a "trusted adviser", reinventing oneself and building freelance relationships and networks of fellow trusted advisers.

The events will also allow delegates to meet key PCG directors, find out what PCG is doing

to support and promote the freelance small business community, and of course to meet fellow freelancers in their area.

A selection of PCG guides and brochures will be available at the sessions, including:

- ◆ Guide to Freelancing
- ◆ Guide to Survival
- ◆ Guide to S660
- ◆ Freelancers - your flexible workforce
- ◆ Policy briefings
- ◆ Freelancing Matters

Delegate prices are £40 for PCG members, and £65 for non-members, with a £25 discount off their first year's membership for non-members who join PCG on the day. Bookings can be made via PCG's dedicated seminar website at www.pcg.org.uk/seminars2004, where further information about the venues may be found.

Numbers will be limited, and so freelancers are advised to register via the website as early as possible.



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Smarter freelancing seminars

Schedule

24 February 2004	London
2 March 2004	Manchester
3 March 2004	Birmingham
4 March 2004	Bristol
9 March 2004	Swindon
10 March 2004	Croydon
11 March 2004	Southampton

Afternoon session

- 14:00 Introduction and welcome
- 14:10 How to market yourself to businesses and agencies
- 14:45 Developing your skills, reinventing yourself, and becoming a trusted adviser
- 15:10 Break
- 15:15 Professional Indemnity Insurance
- 15:30 Update and expert advice on IR591, Section 660A and IR35
- 16:30 Questions
- 17:00 Close

Evening session

- 18:00 Introduction and welcome
- 18:10 How to market yourself to businesses and agencies
- 18:45 Developing your skills, reinventing yourself, and becoming a trusted adviser
- 19:10 Break
- 19:15 Professional Indemnity Insurance
- 19:30 Update and expert advice on IR591, Section 660A and IR35
- 20:30 Questions
- 21:00 Close



Effective solutions for business critical systems

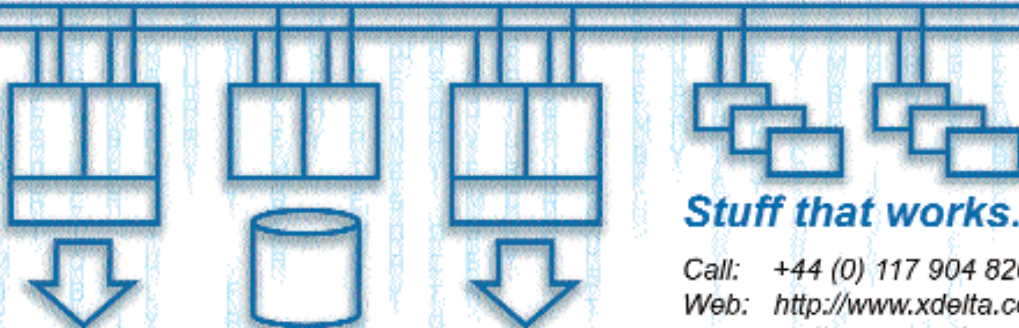
You need to be able to deliver very high levels of service in a predictable and consistent manner. To achieve that, you require reliable computer systems and networks that make best use of available resources. You also have to understand how and why it all works.

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We look forward to hearing from you.

Colin Butcher, Technical Director, XDelta Limited.



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How many people work from home?

For many years, so-called “knowledge work” has predominantly been conducted in traditional offices. A radical transformation is now under way, with more and more people working from home for part or all of the time.

A research project undertaken by the Centre for Labour Market Studies, University of Leicester, found that the number of people in the UK working mainly at home, or from home as a base, had increased from under one million in 1981 to nearly three million in 2002. These figures were derived from its own calculations based on the spring Labour Force Survey for the years 1981 and 2002.

In its Working Paper No 28, “The Changing Place of Work” (Felstead, Jewson and Walters 2003), the Centre for Labour Market Studies also showed that from 1992 to 2000 there was an increase of 71% in the numbers of professionals and technical workers operating mainly at or from home.

A relatively small proportion of the home-located workforce falls into the traditional home working categories of manufacturing and routine services. White-collar workers represent a far higher percentage, with a significant proportion of professionals, managers, freelancers, small entrepreneurs and clerical staff working at home for most or part of the time.

The “Transforming Places of Work” project is funded under phase two of the Economic & Social Research Council’s (ESRC) Future of Work Programme.

For further information, see www.clms.le.ac.uk

Working from home

Apple Computer and Hewlett-Packard both started life in a garage at home. Working from home is on the increase, thanks to the falling cost of new technology - computers, mobile phones and faxes.

Estimates show that nearly three million people work from home some or all of the time. Tangible benefits cited for choosing to work from home include:

- ◆ Low-cost way of launching a business.
- ◆ No nightmare journeys on commuter trains or gridlock on motorways.
- ◆ Flexibility of working methods and hours.
- ◆ Increased productivity levels without typical office interruptions and “chat gaps.”
- ◆ Low operating costs.
- ◆ The ability to accommodate family demands.
- ◆ The chance to stroll out in one’s own garden for a 10-minute break.

“Opportunities for procrastination are greater at home than they would be in a conventional workplace.”

Properly implemented, giving up the office can work like a dream, but you need to be disciplined, organised and have access to the right technical equipment. Also, home working does not suit everyone. For some people, the drawbacks outweigh the benefits:

- ◆ Feeling isolated and bored.
- ◆ The chance of increased pressure and longer hours.
- ◆ Diminished sense of personal satisfaction.
- ◆ Clashes between business and family demands.
- ◆ Not being able to switch off.
- ◆ Poorer rewards if the working from home holds back development of the business.
- ◆ Interruptions from family, neighbours and friends who do not respect your work regime.

Not all businesses can operate effectively from home either. Some, for instance, have to follow strict regulations, whilst others must comply with planning regulations and local by-laws. If your business requires any structural

changes to your home, you will need planning permission and there may be other planning and legal issues to consider, if the business generates noticeable smell, noise or traffic.

Advice from experienced home workers

Opportunities for procrastination are greater at home than they would be in a conventional workplace.

- ◆ Treat your working time as seriously as you would time on a client or employer’s premises.
- ◆ Make sure those you share your home with see it that way too.
- ◆ Aim for a definable, permanent workspace - not the kitchen table.
- ◆ The right furniture and equipment is an essential investment. Get a good chair, especially if you work long hours at a computer. An Aeron may be out of your league, but an adjustable chair offering the right lumbar support and synchronised mechanism can cost as little as £195.
- ◆ Installing a separate telephone line lets you make a clear distinction between your work and home life. When you finish working, you can let a machine answer business calls for you.
- ◆ Remember to get specific insurance cover for your business equipment.
- ◆ Discipline yourself to ignore household jobs until you have finished your work.
- ◆ Develop support networks that keep you in the loop.
- ◆ Make time to socialise and meet new people, particularly if you live alone.
- ◆ If you are freelancing, arrange the occasional meeting with those you work for; personal contact is so much more memorable than email or phone conversations.
- ◆ Timetable breaks - include sessions away from your work to eat, exercise and socialise.
- ◆ Work in your pyjamas if you must, but for most people, it is much better to get dressed properly in the morning.
- ◆ Likewise, the temptation of daytime television could leave you wondering where all the hours and revenue went.

Will I have to pay business rates for my home office?

Following a key ruling by the Lands Tribunal on 4 August 2003, thousands of home-based workers can rest assured that their home offices are unlikely to attract a business rating.

Previously, if the majority use of a room in your house was a home office, you could be liable for rates on that part of the building. The impact of the new judgement is that if you work from home, use office equipment, have not made structural alterations, and do not employ people from the premises, then business rating will not be required. A spokesperson for the Valuation Office, which is responsible for assessing the rating system, said that it had accepted the decision and its instructions to staff had been amended accordingly.

The Lands Tribunal president also advised the Valuation Office to be careful how it identified those who might still be subject to business rates. He advised an approach which looked at whether the business on the premises was advertised, or whether planning

Modems not motors

Commuting can take as long as four hours per day, the equivalent of five weeks a year, according to an RAC Foundation survey, and costs some people a third of their salary.

Research published in the RAC Foundation's report, "Motoring Towards 2050 - An Independent Inquiry", suggests that nearly 50 per cent of drivers are sympathetic to the idea of working from home and think that over half of the working population will do so by 2020.

Edmund King, executive director of the RAC Foundation says, "Many ordinary people spend large chunks of their working week stuck in traffic jams, on crowded trains and buses while commuting to their employment.

If we can follow the example of other countries who have utilised technology to much greater effect than the UK, we can reduce car dependency, significantly impact on traffic congestion and improve lives."



In another report commissioned by the RAC Foundation and updated in 2000, "Motors and Modems Revisited," the National Economic Research Association (NERA) concludes that "by substituting for travel, new technology can have a significant impact on traffic growth and on future levels of traffic congestion."

The Telework Association believes that the benefits of home working and technology to the economy in reduced congestion costs could be up to £1.3 billion by 2005 and up to £1.9 billion by 2010. It is calling upon the Government to introduce tax incentives and a clarification in legislation to facilitate and encourage home working.

See www.racfoundation.org, www.nera.com and www.tca.org.uk.

permission had been sought for building alterations or business use.

A Valuation Office spokesperson confirmed that the advertising of a business in itself is not an issue, simply that it is a way of identifying

business use, and that other factors such as employees on site, frequent visitors or structural alterations would be the determinants. The Tribunal president also emphasised that there was no significance in itself whether the worker was employed or self-employed.

How are you spending your free time?



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Policy highlights

Much of the good work that has been done in recent months will have been invisible to members. PCG has concentrated on the persuasiveness of its ideas rather than simply measuring column inches of press. High points have included PCG's victory at the International Labour Organisation (ILO) in defeating the "dependent contractor" proposal, success in the reduction of the number of work permits issued and the exclusion of "high-value" contractors from the DTI's newly-published Agency Regulations.

PCG's policy team has made excellent progress in building relationships with other influential organisations. Its representations at the ILO were made under the auspices of the Confederation of British Industry (CBI) as an official government observer, and it has also maintained its very important seat on the IT Skills Sector panel. New activities in recent months have encompassed discussions on work permits and offshoring with a number of unions, including Amicus and UNIFI.

PCG has made a submission to the House of Commons Trade and Industry Select Committee outlining its views on the Government's performance in terms of the IT industry, given that the Government's stated target some five years' ago to be at the forefront of information technology worldwide. PCG carried out a comprehensive review of the sector, and gave many examples in its submission, the conclusion of which was that the Government was likely to fail in its goal. The Committee will start to hear oral evidence in late January or early February, and PCG is waiting to hear whether it will be called.

PCG has received an invitation from the Secretary of State, Patricia Hewitt, to participate in a conference on 2 February. This follows her announcement towards the end of 2003 about her intention to hold an enquiry into the problems created by companies moving to offshore locations, which she said included but were not restricted to call centres. Chairman Simon Griffiths will be attending on behalf of PCG.

External affairs director Ian Durrant and consultative committee member Gurdial Rai have attended further meetings with Work Permits UK during which it has become very clear that it not only listened to PCG's views but acted upon them as well. Evidence of the positive relationship between the two organisations is that Work Permits UK contacts PCG when it requires clarification or guidance as to the validity of permit applications.

In concert with other organisations, such as the Institute of Chartered Accountants (ICAEW), PCG is urging the Government to

clarify the statement made on 10 December in the Pre-Budget Report to the effect that measures would be introduced to ensure that owner-managed small companies paid the right levels of tax. Initial views were that this was a precursor to introducing National Insurance Contributions on dividends, but no further Treasury statements have been forthcoming. PCG hopes to secure the clarification it seeks well in advance of the Budget in spring so that it can make the appropriate representations, should they be necessary.

PCG's policy activities extend into Europe, and PCG is now a full, subscribing member of an organisation based in Brussels called [smallbusiness|europe](#), whose aim is to maximise the interests of UK small and medium enterprises (SMEs) at the European level. It seeks to strengthen the dialogue between SMEs in the UK and decision-makers in Brussels, representing their collective interests. Not only will membership of this organisation give PCG advance notice of the European Commission's proposed activities, but [smallbusiness|europe](#) is also arranging a fact-finding mission for PCG's policy team in mid-February.

Further evidence of PCG's acceptance as the de facto representative of freelancers in the UK is that the CBI has requested a visit to PCG's headquarters at Stockley Park to meet with the policy team and investigate ways in which the two organisations can work more closely. This follows conversations between CBI's director general, Digby Jones and policy team members Ian Durrant and Jo Phillips. The CBI has also invited PCG to take part in a conference in Brussels on the role of small business in Europe.

The policy team's hard work, professional approach and persistence during recent months is being rewarded by recognition - from a growing number of key bodies, organisations, politicians and government departments - of its standing as a professional, apolitical, not-for-profit trade association and representative body for the freelance small business community.

Meet your policy team

The role of PCG's policy team is to formulate and communicate policy, making representation to the Government and other organisations regarding legislative and other changes that could impact upon the businesses and lives of its members. In seeking to exert influence, it engages in direct discussion and consultation with senior Ministers and civil servants, participates in consultation exercises, forges relationships with unions and other complementary organisations, and produces a comprehensive range of research and policy papers.

Supporting the policy specialists is a communications team responsible for public relations, internal communications, the website, dissemination of PCG news and views to its stakeholder audience via national and local media, and the development and implementation of regular member surveys.

The five key individuals in PCG's policy team are complemented by several volunteers, CC members and experts who help PCG to punch above its weight.



Simon Griffiths

Current PCG chairman, Simon graduated from the University of Cardiff in 1986 with an Honours degree in Music. In his career, he has provided consultancy to many government

and large commercial clients. 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 four years, including appointments as Legal Director and Deputy Chairman, and has gained a wealth of experience from his involvement in the organisation of PCG and its campaigns. Simon's main responsibilities within the PCG include legal issues, external affairs, member services, supplier relations and liaison with external parties, including education and managing disputes or complaints processes.



David Ramsden

David was the co-founder of PCG, but stepped down from the board in 2001 to concentrate on the political side of his business, and is now PCG's senior political adviser. He has a history of working

in politics and is credited with changes to the Sunday trading laws introduced in 1994. He was then Executive Vice Chairman of the Shopping Hours Reform Council, working under the chairmanship of Baroness Jay, and controlled the day to day running of the Council.

Before setting up David Ramsden Associates, David was head of public affairs for the Kingfisher Group, following a spell as company secretary of the retail division of Marley Tile Company. He is a Westminster and European Fellow of the Industry and Parliament Trust - he sits on both their Council and their Employment Committee, and was recently appointed Small Business Adviser to the Trust. David also sits on the board of a number of companies and is chairman of Euroshop EU Ltd, a small research company. He is chairman of the Wessex Region of the FSB.

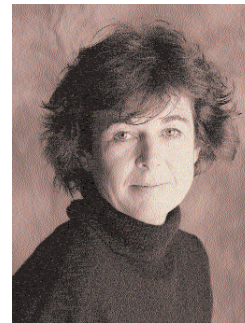


Simon Juden

Simon Juden graduated in Mathematics from Cambridge and, following a PhD in 1995, has become one of the country's leading technical architects. He has been a freelancer

since 1997, supplying expert services to a range of blue-chip clients as well as writing on freelancing in general and the IT sector in particular.

Simon joined PCG in its first year, and is currently serving as director with overall responsibility for coordinating PCG's legal work on IR35, S660A and other case law. He wrote PCG's Guide to IR35 and Guide to S660A, led the PCG negotiating team which obtained clarity from the Inland Revenue on a variety of IR35 status factors, took charge of meetings with DTI regarding the Agency Regulations and contact with the Home Office on the Security Regulations, and played a key role in the PCG team which agreed an industry standard contract with the agency body, ATSCo.



Jo Phillips

PCG's press and political adviser, Jo Phillips has more than 20 years' experience in broadcast news and current affairs. She has worked for BBC TV and Radio, IRN, Channel 4, ITN, Sky TV and Talk Radio.

An award winning radio producer, Jo was editor of Sunday Service, the highly acclaimed political programme made by Ten Alps for BBC Radio 5 Live. She was press and policy adviser to Paddy Ashdown.

In 1999, Jo founded and remains managing director of Know Comment, part of Bob Geldof's Ten Alps media company, which specialises in the representation of political and social commentators, including Charlie Whelan, Kevin Maguire, Shelagh Fogarty, Michael Dobbs, Yasmin Alibhai Brown and Andrew Pierce.

Know Comment also provides bespoke media training and public affairs consultancy for a range of national and international clients.



Ian Durrant

Ian Durrant is PCG's Director for External Affairs. He has been a contractor in the IT industry for 14 years, with a total of 17 years' experience in the industry.

Before becoming self-employed, he worked for a large commercial insurance company as a senior analyst programmer.

He joined PCG in its early days when he realised the potential threat that IR35 posed to his business.

Before taking responsibility for his current role, Ian was PCG's IT director and was heavily involved with the setup and migration of all the systems to PCG's new offices.

Ian has been a director of PCG for four years and has acquired a wealth of experience through his involvement in all PCG's major campaigns.

Flying the flag for freelancers

"A vibrant, highly skilled and committed freelance workforce is one of the cornerstones of UK plc's success," according to Derek Wreay, managing director of Wreay International and director of ATSCo. "It is an area in which the UK leads in Europe, and this is a tribute to the competence of our freelancing community, and to the firms whose far-sightedness allows them to benefit from these freelancers' world-class skills."

PCG is committed to promoting freelancing as a valid and valuable way of working. At the CBI conference in November, it launched its new initiative "Freelancers - your flexible workforce" to provide information about the benefits of harnessing freelance talent and expertise.

Collateral in the form of a new, full colour brochure talks about surviving and thriving in a changing world, freelancing as the future, access rather than ownership, the benefits of employing freelancers, how the PCG helps organisations find the best freelancers, and sectors and disciplines covered.

If you would like copies of the brochure, please contact Mandie Bell on 0845 125 98 99. An excerpt from the publication is reproduced here.

Freelancing is the future

In this changing world, freelance, interim and fixed-term assignments have become a white-collar phenomenon. Employers expect more in terms of the effectiveness and performance of new hires, but in return they offer less

security, and less certainty about long-term career progression and reward.

Freelancers in turn want to maximise their talent, opportunities and employability, and recognise that permanent jobs may deliver that less effectively than a succession of quality, short-term assignments.

"Freelancers are educated, teched-up, and confident in their ability to sell their services and to move flexibly from project to project."

*John Leach, Head of Integration
Chime Communications plc*

Freelancers are not looking for employers to whom they can belong, but networks in which they can thrive. Equipped with sought-after knowledge and networks, they are the expert pollen of the new economy, moving quickly

PCG
PROFESSIONAL CONTRACTORS GROUP

Freelancers your flexible workforce

Protecting & promoting the interests of freelancers

"Freelancers are educated, teched-up, and confident in their ability to sell their services and to move flexibly from project to project."

John Leach
Head of Integration
Chime Communications plc

The many myths, misconceptions and laws surrounding employment can be overwhelming, and freelancers have a valuable role to play in complementing your permanent workforce, allowing you more flexibility to expand and shrink your human resource pool. Hiring a freelancer for a specific project or period makes it easier to accommodate fluctuating resource requirements.

Freelancers are often recruited to cover needs that fall outside the production of ordinary goods or services. A freelancer with specialist expertise can usually get started quickly and with minimal control of installation, leaving you free time to run your business.

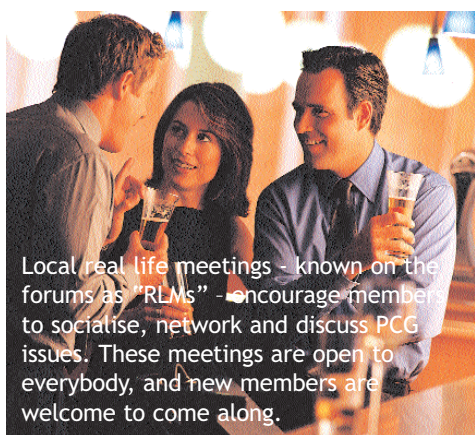
By using a freelancer, you avoid the financial and administrative costs associated with having an employee, including payroll taxes, National Insurance contributions, and other benefits. Freelancers often provide their own equipment and work space. They cover these costs themselves, so their hourly rates are typically higher than you would pay for an employee, but overall, the total cost of hiring a freelancer tends to be lower.

Engaging freelancers also reduces risk of wrongful termination and other employment litigation. Your commitment extends only for the length of the contract, and you can more easily terminate a freelancer either by letting the contract expire or ending the relationship according to the terms of the contract.

between jobs and assignments, transferring ideas, skills and positive attitudes.

The freelance market is rich with talent - candidates endowed with precisely the skills, capabilities and attitudes most in demand from employers. John Leach, Head of Integration at Chime Communications plc describes them as "media age mercenaries" who are free to recommend the most appropriate solution, rather than a solution driven by the need to sell the services of a pre-defined team structure with fixed costs and overheads.

Freelancing used to be the only option available to those who could not find permanent employment. Self-employment has now become the status of choice, the preferred way of working, for the very best talent in all sectors.



Local real life meetings - known on the forums as "RLMs" - encourage members to socialise, network and discuss PCG issues. These meetings are open to everybody, and new members are welcome to come along.

In November, over a hundred hardy PCG members and guests, including local accountancy and legal professionals, braved autumnal conditions to attend a "How to Beat IR35" session at Shell's Seaford House in Aberdeen.

Guest speaker for the evening was Dave Smith of Accountax, fresh from the latest of his two consecutive IR35 victories at the Special

PCG in the regions

Commissioners of Income Tax. He spoke with great authority and style for a couple of hours on both IR35 and S660A, before opening the floor to questions for another hour or so.

The event was voted a great success, and participants indicated by a show of hands that they were far more confident in their knowledge of both IR35 and S660A by the end of the session. Dave's main message for the evening was that IR35 was "a club that you don't have to join" - provided of course that you manage your contracts properly, know your business, know your rights, take proper professional advice, stand your ground and join PCG in order to get the best advice on each of these requirements.

The latest Edinburgh meeting took place at Bert's Bar in Williams Street on 13 January. PCG member John Ferguson, who organised

the event, says that the bar serves a range of rather nice beers, plus a few guest casks. Only a few of the more adventurous decided to try SkullSplitter, an Orkney ale with a distinctive flavour and, at 8.5% ABV, a powerful kick. After exchanging the usual round of post-Christmas and New Year tales, the members settled down to discuss their ideas for 2004. They agreed to widen their field of participants and invite non-member guests along to future such meetings. They were, after all, sociable people, and their objective would be to extend the scope of their contacts, and make newcomers aware of PCG and the resources available to freelancers.

Announcements about forthcoming meetings are published in PCG's weekly newsletters, together with the appropriate contact details, and there is also a dedicated Real Life Meetings forum for members.

Quality matters - small is beautiful

At the PCG conference in October 2003, a simple handshake between PCG chairman, Simon Griffiths and Vic Bowen, general manager for BVQI, signified rather more than just the acceptance of PCG's own ISO9001 certificate. It also marked the latest stage in a partnership between PCG and BVQI to develop and deliver a sector specific ISO9001:2000 scheme for freelance consultancy businesses.

ISO9001 is the only universal standard for auditing the quality of a business and, despite early criticism, it has become the de facto standard recognised by procurement departments in many large companies. It is a mandatory requirement for any organisation bidding for UK public sector work. An excellent benchmark, ISO9000 can prove prohibitively complex and expensive for very small businesses. This often means that competent consultants, and even those of exceptionally high calibre, are effectively barred from bidding for public sector work, unless as subcontractors through larger intermediaries - at greater cost to both the consultant and the client.

In addressing this problem on behalf of our members, we considered the options of fighting the system or working within it, and chose the latter. The traditional and expensive route to ISO9000 involves extensive analysis and modelling of a company's business processes, the development of a unique Quality Manual and a thorough audit. There is no alternative for large established businesses, which are typically complex and have several unique characteristics. We discovered that freelancers did not share this complexity. They had a common business model. We did not need to analyse every business and create a new model for each, because we could identify a common business model and map the real business quite easily to that.

Early talks with experts in the quality field confirmed not just the uniqueness of this approach, but more importantly that it was viable. BVQI was wholeheartedly sold on it from our very first formal meeting and the enthusiastic partnership that resulted has fuelled development of the concept.

Progress has been far from straightforward, because all parties are committed to delivering an ISO9001:2000 scheme that removes all pain from small business participants without prejudicing BVQI's outstanding quality of audit, but it is achievable, and we are on target for public launch during the second half of 2004.

"Our scheme... will be delivered at less than a third of the cost of any credible alternative, and its worth will be uncompromised."

Our scheme is unique not only in its approach to the market, but also in that it will contain many interesting but valuable features, it will be delivered at less than a third of the cost of any credible alternative, and its worth will be uncompromised. The only UK accreditation body recognised by the Government is UKAS, which was formerly a government department but is now privately owned, and is the largest of only three such bodies recognised worldwide. We have therefore decided to settle for nothing less.

The UK freelance sector has enormous untapped potential, and in spite of suffering a number of blows over the last few years, it is still thriving. We are about to help equip it to prosper in the 21st century.



Richard Robson is the director responsible for PCG's ISO9001 strategy and implementation.

A waste of talent

A PCG survey on freelancer utilisation in the ICT sector has shown that the average freelancer spends under two thirds of their available time on work for which they are best qualified. On average, a quarter of time available for contracts is spent out of work, and only 85% of time in work is spent working in the capacity for which the freelancer is primarily qualified. These figures are consistent with other industry surveys, though at odds with official government figures which put underutilisation somewhere in the low single figures.

The reason for this is also shown by the PCG survey: when out of work, some 86% of freelancers do not sign on for benefits, thus failing to register in government statistics. A combination of various pieces of legislation and commercial forces within the ICT sector have forced virtually all freelancers to incorporate; obtaining benefits while retaining the directorship of a company is notoriously difficult, and most do not bother trying.

These findings coincide with the Chancellor's decision to introduce yet another new tax for owner-managed businesses - without any consultation with those affected or apparent assessment of its likely impact on small businesses. This sector is in a highly fragile state: PCG's survey also found that some 90% of ICT freelancers had seen earnings drop in the previous year, and a staggering 50% were either definitely or possibly considering leaving the sector altogether.

PCG considers that enormous care is required to ensure that any further measure does not destroy the UK's highly skilled, highly flexible and highly mobile freelance workforce altogether. UK plc benefits greatly from its freelance community, which in the current climate needs to be incentivised and supported by the Government - or at the very least better understood.



Ask not for whom the taxman cometh

Whatever stirring words you may have read, and however much bravado you see on various freelancer forums, when you open the brown envelope that tells you the taxman wants to investigate your affairs, it is hard to prevent a small shiver from making its way down your spine.

The prospect of a VAT inspection can ruin your whole day, as can the news of an IR35 investigation or S660A enquiry; and while your accountant seemed convincing and plausible in the comfort of their offices, when faced with stark assertions to the contrary from The Authorities, it can be very hard to know whose version of your tax affairs to trust. Few of us went into freelancing so we could immerse ourselves in the abstruse complexities of arcane tax law: frankly, that is the kind of thing we pay accountants to worry about for us, and the knowledge that following accountants' advice - good advice at the time, and given in all good faith - has led some freelancers to five-figure tax demands is the stuff of nightmares.

“Few of us went into freelancing so we could immerse ourselves in the abstruse complexities of arcane tax law”

Fortunately, for PCG members at least, a comfort blanket is readily to hand. Given the increased Treasury focus on small owner-managed companies, knowing that top-quality professionals are available to represent you and negotiate on your behalf can be extremely comforting, especially when their respective track records show that they have lost not one single case.

PCG has recently enhanced the insurance package bundled with membership. The good news is that many real cases that would not have been covered under the previous Tax Investigation Insurance (TII), but which PCG nevertheless funded on its members' behalf, would be covered under the new core bundled Professional Expenses Insurance (PEI).

PEI covers the professional fees of leading experts throughout:

- ◆ VAT disputes
- ◆ Full enquiries on Self Assessments for Income or Corporation Tax
- ◆ Aspect enquiries for Corporation Tax
- ◆ PAYE compliance disputes (including P11D problems)
- ◆ NIC disputes
- ◆ S660A cases
- ◆ IR35 cases

If that reads like a long list of gobbledygook, here is the short version: whenever you get any correspondence from the Inland Revenue or HM Customs and Excise that looks like an enquiry of any sort, call the PCG's free tax helpline on 0845 125 92 52, quoting your PCG user name for identification (if you cannot remember your user name, call the PCG on 0845 125 98 99 to be reminded). They will give free generic advice to PCG members and if you need to claim they will tell you how to go about it. There is also a separate free legal helpline for members on 0845 125 92 51 which answers generic questions on virtually any legal matter.

Of course, there are some things the insurance does not cover. These are:

- ◆ Existing investigations and disputes at the time the insurance is taken out
- ◆ Any enquiry or dispute arising after you cease to be a PCG member
- ◆ Any fees (such as your accountant's fees) incurred prior to the written acceptance of a claim
- ◆ Claims arising where the annual returns/accounts were submitted late
- ◆ Attendance at routine VAT and Employer (PAYE) Compliance visits
- ◆ Routine Income Tax Self Assessment aspect enquiries
- ◆ Serious/complex fraud cases handled by certain special investigative departments

There are some things that PCG's insurance used not to cover but now does, specifically relating to IR35. A surprising number of freelancers remain unaware of the fact that IR35 might apply to them. If you have incorporated, that is, you supply your freelance services through a limited company or limited liability partnership, then IR35 potentially applies to you. A number of myths retain unwarranted currency.

To set the record straight:

- ◆ IR35 applies to all sectors, not just IT
- ◆ IR35 potentially applies whether or not you pay yourself a “market rate salary” (whatever that means)
- ◆ IR35 potentially applies whether or not you ever pay dividends
- ◆ Being outside IR35 for one piece of work does not imply that you are outside IR35 for all pieces of work
- ◆ If you are inside IR35 or at risk of being so, there are plenty of things you can do about it

For more details, see PCG's Guide to IR35, which is free to members and may be downloaded from the website at www.pcg.org.uk/members/resources/Guide_To_IR35.pdf

This is a comprehensive layman's manual and includes full details of how to document your status and draw up an action plan if you need to change your status.

The Inland Revenue operates a service which will ostensibly check a given contract and tell you whether it is inside or outside IR35. PCG's long-standing advice not to use this service has been borne out by a number of resultant investigations that have in some instances dragged on for years.

PCG's insurance now covers cases where a contract has been submitted to and failed by the Revenue, but which in the opinion of PCG's experts is actually outside IR35 and always was. The majority of cases supported by PCG's legal fund fit this category: the legal fund is used to take cases not covered by other means that have some strategic value, that is, clarify points of law that will be of use to the wider membership. This significant enhancement means a large tranche of cases that would have been ineligible under the old insurance would now be covered.

Because IR35 is such a complex and subtle piece of legislation, like virtually all insurances available which cover IR35, there is a “winnability” clause: the insurance will not cover hopeless cases. Historically, the majority of cases have passed this test. PCG has a separate insurance offering called Route35, designed to cover all cases regardless of the likelihood of being able to win them. This product is exclusive to PCG members, and for most freelancers costs £80 per annum. It also includes professional representation at routine PAYE compliance visits. These visits are often disguised IR35 trawls and PCG strongly recommends professional representation at any such meeting.

Not all members choose to purchase Route35. Those who do not but who receive notice of a PAYE compliance visit have access to PCG's Affiliates. These include most of the country's top IR35 consultancies, and their combined track record is several hundred wins to zero losses. As they compete with each other for members' business, there are some very good deals available.

PCG members also get a lot of moral support. Thousands of freelancers post on the PCG's online forums, and whatever kind of letter you have just received, the chances are at least one of them has seen it before and can tell you what to expect. You are very likely to receive peer support and solidarity throughout whatever difficulty you are experiencing. The forums are also frequented by some of the country's leading tax experts as well as, given the nature of PCG, some of the country's leading experts on almost any subject you care to name.

There is currently much speculation about IR591, and some commentators, claiming close Treasury sources, assert that IR35 will go when IR591 is introduced. Others, claiming different sources, claim the opposite. The simple truth is that no-one knows whether IR591 will be introduced and what it will entail. PCG's strong advice is that until the details are actually announced, freelancers should assume that IR35 will remain in place.

If you have questions about PCG's insurances call 0845 125 98 99, or email admin@pcg.org.uk

Route35 gets even better

Route35 complements and extends the Professional Expenses Insurance (PEI) tax investigation cover provided to PCG members as part of their annual membership package, and is available as an additional option. It guarantees expert advice and support throughout the whole process of an IR35 investigation and, crucially, includes expert professional support throughout a PAYE compliance enquiry.

Route35 is fully insured by Brit Insurance and includes the option to hold the compliance visit at the offices of Lawspeed, with an IR35 expert present throughout, thus guaranteeing the very best support and advice at this vital stage. Route35 policy holders who have taken reasonable steps will be covered all the way to the Commissioners and claims will be handled by Abbey Tax Protection and Lawspeed for policies purchased during 2004.

PCG has maintained the price improvements secured last year for the benefit of members purchasing or renewing Route35 cover.



The annual cost for Route35 depends on the number of employees in the business, including the PCG member, at the time of purchasing the cover and starts at just £80.

However, with effect from 1 January 2004, PCG will now donate £10 to its Legal Fund for every new or renewed Route35 policy purchased.

With the increasing prevalence of PAYE compliance investigations as a prelude to full blown IR35 enquiries and the improvements described above, the case for buying or renewing Route35 has never been more compelling.

For more information, visit www.pcgroute35.org.uk



TT Accountancy Services
The Old Tavern
Market Square
Pebworth
West Sussex
GU28 0AH

T: +44 (0)1798 343 560

F: +44 (0)1798 343 817

W: www.tl.co.uk

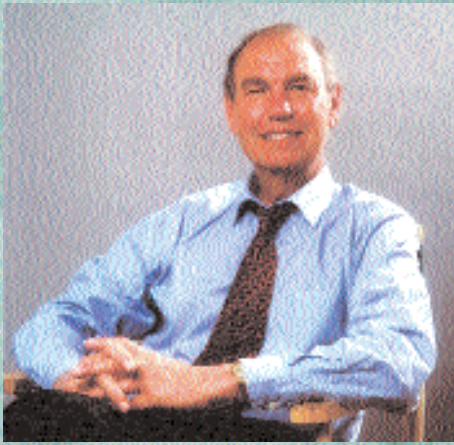
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4. **Your personal tax will be managed by an experienced tax administrator.**
5. **You will also have unlimited access to our experts in VAT, Payroll, Personal Tax.**
6. **You will be covered by insurance against investigation by the Inland Revenue and Customs & Excise, offering you tremendous peace of mind.**
7. **We can help you avoid IR35 and Section 660 legally.**
8. **We are accessible - so just call us!**
9. **We are responsive because we care for your affairs as if they were our own.**
10. **We are proactive and give you 'Milestone Reminders' to avoid fines or penalties by the Inland Revenue or Customs & Excise.**
11. **We offer you a fixed price so that you don't have any surprises.**
12. **We guarantee our work - if you're not happy, you don't pay!**
13. **We are a member of the Probiz network and draw upon the knowledge, skills and experiences of over 500 qualified accountants. Can you imagine the level of knowledge we have to help you?**



Fresh, fit and fun!

The global economy is restructuring in a fundamental fashion and in its wake change the entire way in which businesses and labour markets operate. This is the message that Professor Richard Scase gave his audience at PCG's annual conference in October. He painted a bleak picture of low growth in the US and European economies in 2003, of just 1.8% in the US, 1.7% in the UK, and only 0.7% in the Eurozone. Recovery will be deferred until the end of 2004, with continuing economic uncertainty over stock market over-valuations and fluctuations.

Professor Richard Scase - author, academic and entrepreneur - is one of the UK's leading business strategists and an authoritative business forecaster of scenarios for this century. Richard Scase was voted by Personnel Today as one of the top ten most influential people in Britain on personnel/human resource management.

As an entrepreneur, Richard Scase has set up a number of successful businesses including a media company and a B2B business providing on-line learning materials for corporate management development programmes. Richard is author of the highly influential "Britain 2010: The Changing Business Landscape."

He has a regular column in The Observer newspaper, where he writes on various topics including the future of the organisation, shifting work patterns, the role of IT, the transforming corporation, 21st century styles of management, creative thinking in management and the impact of global events on business strategies.

As an academic, Richard has held appointments at universities across the globe including University of Kent at Canterbury, London Business School, the University of Auckland, New Zealand and Monash University, Australia.

An experienced speaker, Professor Scase lectures widely across the world to corporate and political leaders, management and professional bodies. Always at the cutting edge of new theories which are emerging, he is both highly stimulating and entertaining, presenting his forecasts for this century with characteristic wit and style.

By 2030, Greater China will have a 25% share of the world economy, whereas Europe's share will have declined from 22% today to just 12%. Businesses are now competing not only in their own countries and sectors, but also with those outside their countries. Protected markets no longer exist. Corporations need to adapt to survive and to thrive. Volatility and uncertainty in the economic markets have led to downsizing and continuous corporate restructuring. The internet revolution has also had a major influence on the global economy and the way in which business is conducted.

Cultures of conformity are no longer competitive, and in the global interconnected economy, businesses need to compete by leveraging creativity. According to Professor Scase, conventional corporate structures are being swept away in the quest to survive and thrive.

Corporate elephants and entrepreneurial fleas

In the battle of the corporate elephants and entrepreneurial fleas, the adaptive e-corporation is emerging as the model most likely to succeed.

Traditional management cultures, hierarchies, protocols, procedures and all the other trappings of bureaucracy will need to be forfeited. The adaptive corporation places value on flexible human capital and will draw upon the resources of consultants, interim managers and freelance talent.

The e-corporation will comprise a small, strategic core of people, operating in concert with a network of strategic alliances and joint ventures, suppliers and partners, customers and end users. There will be a greater prevalence of business networks, outsourcing, franchising and licensing, together with the growth of small and medium enterprises.

The rise of freelance talent

The challenge for consumer-driven corporate strategies is to gain a competitive advantage by the acquisition, creative analysis and interpretation of high-quality data. Information without creativity does not become knowledge or intelligence, and does

not engender innovation in product design and service delivery.

Richard Scase describes the psychological profile of a typical freelancer as being that of a non-conformist individual who is self-focused, needs recognition, is naturally cynical or suspicious, and thrives on being creative and innovative. Freelancers are well-suited to providing adaptive e-corporations with precisely those creative and technical skills that they require, without the constraints of employment and long-term commitments.

Need for continuous personal reinvention

Successful freelancers are able to adapt to changing demands, recognise the need for continuous personal reinvention and ask how they can differentiate themselves. The best freelancers are not only creative and entrepreneurial, but also "fresh, fit and fun," according to Scase.

Freelancers value their personal independence, but can better realise their potential by participating in networks and associations, for sharing knowledge and experience, updating skills, maintaining professional standards, and benefiting from support systems and consortia bidding.

"When you are a trusted adviser, clients are more likely to seek your advice, accept your recommendations, refer you to others, allow for mistakes ... and pay the invoices!"

Professor Scase also advocates that freelance contractors should strive to become "trusted advisers" to their clients. In doing so, they will make the transition from conducting a transaction to building a relationship, from short-term assignments to long-term repeat business, from specific product or technical skills to being trusted as individuals, and from a commercial relationship to personal rapport.

"When you are a trusted adviser, clients are more likely to seek your advice," says Scase, "accept your recommendations, refer you to others, allow for mistakes ... and pay the invoices!"

Despite the gloomy predictions with which Professor Scase opened his address to a spellbound conference audience, he believes that the future for freelancing in the UK is very bright indeed.

A case of adapting

Veteran freelancer Julie Stewart is no stranger to the concept of adapting and learning new skills. In nearly 22 years of freelance contracting, she has learnt the importance of being prepared to face new challenges, even at the expense of pay rates.



"I was a Cobol programmer," says Julie, "with an ICL mainframe background. One day, I had to face the fact that my skills were dated. I confronted the situation head on in 1985, upon finishing a major mainframe contract. On offer

were two new contracts, with different organisations. The first was for an analyst role which suited my skill set very well, and paid the higher rate. The second was a programming role which meant learning new application software and tools, and paid less. I took the latter.

"I made a conscious decision to do something about my aging skill set. Over the next ten years, with an expanded portfolio of skills, I had greater choice. In 1995, a client for whom I had been using the new skills offered me a contract using my legacy skills again." The new project involved the migration from a legacy system to Oracle Financials, so Julie could use her original expertise whilst taking the opportunity to learn new software. This proved to be a turning point in her freelance career.

Later, uncertainty over IR35 led Julie to close her 16 year old company and operate as a sole trader offering web hosting reseller packages and related services. She soon realised that the new business model would not yield sufficient revenue and returned to contract work, handling a mix of short-term and concurrent assignments, as well as the web business.

In 2001, Julie and her husband also bought a promotional printing company with a retail outlet, and changed to partnership status. Julie helped run the business, part-time.

"Then in 2003," Julie says, "I was without paid work for some months, the first time ever. The

market was really bad, but led me to the latest skills change, systems integration testing."

Her new project requires Julie to live away from home during the week. Husband Jos has been running the shop full-time since 2002, and they still operate via a partnership.

"One day I had to face the fact that my skills were dated... I confronted the situation head on"

Julie believes that her current assignment illustrates the importance of flexibility. "I couldn't get another Oracle Financials role as a developer or technical consultant or business analyst, so I'm doing systems integration testing, and have learnt two new software products.

Professor Scase is right about being flexible and becoming a trusted adviser - if you can build relationships of trust with your clients, they will give you opportunities to learn, and to progress. It's all about having a positive attitude."

Julie Stewart is a member of PCG's Consultative Council, and director of Scarborough Pages, based in Scarborough. See www.scarboroughpages.co.uk

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Developing soft skills - focus on marketing

Roy Sheppard, a leading expert on networking and referral marketing, shares his advice to freelancers about marketing.

Top tips from a marketing guru

With more and more freelancers coming into the market - either through choice or redundancy - there has never been a greater need for freelancers to more fully understand the marketing options available to them. The best paid freelancers are not necessarily the best at their job. Highly paid freelancers are almost without exception better organised, better marketers and better sales people. They have realistic and workable plans.

Aim for repeat business

Don't assume that past customers will automatically engage your services again, without any help or encouragement from you. Develop a system for getting in touch with all your previous employers and clients who you would want to work with again, assuming that you did a competent job. You are practically guaranteed to end up with new work. Why? Because it's always easiest to sell yourself to previous happy customers. It costs money, time and effort to attract a new client. Working again for past clients is more profitable than constantly spending money and time to find new ones. Forgetting about clients you have worked with in the past is a costly mistake to any freelancer.

Market yourself proactively

Failing to actively market yourself effectively is the most expensive mistake you can make. Many freelancers believe they don't have the time. This is usually an excuse for the fact that they don't really understand what they need to do, what it entails and where to start - so they convince themselves that it is acceptable or better to do nothing.

For many freelancers, the biggest obstacle to success is that so many look upon themselves as technical or creative people first and business people last. They mistakenly believe that the high quality of their work should be enough to sell them. It should be enough, but it isn't, nor will it ever be - and less so in the future. They like to think that a professional doesn't need to resort to the dirty world of marketing or selling.

Think about your business or what you do from a client's perspective. Ask yourself how you

can satisfy their needs - for the time being, forget about your own. How can you help your clients to make more money or save money? People hire you because of the result you can provide them - the better the result, or the quicker you can produce that result - the more appealing you will be to any employer. How can you give your prospective clients a better result than your competitors?

“For many freelancers, the biggest obstacle to success is that so many look upon themselves as technical or creative people first and business people last. They like to think that a professional doesn't need to resort to the dirty world of marketing or selling.”

The secret is to take a systematic approach. Prepare three separate lists of people. Your first list should include every person and organisation you know who is personally capable of offering work. Include everyone you have ever worked for in the past. This list represents your hottest prospects.

Your second list should comprise everybody you know who might know someone else who might be able to offer you work. Dismiss no one - include people you haven't spoken to in months or even years.

Your third list should comprise the most detailed list of people or organisations whom you do not know personally but you would want to work with or work for - they might include the leading companies in your industry. This is your wish list of possible clients. Use directories, libraries, guides or whatever resources are available.

Once you've identified all these people you need to contact them, but don't ask for any business. Instead, ask them for some advice and feedback. Firstly, it takes the pressure off them

In the last issue of *Freelancing Matters*, we examined the danger posed to the UK's technological skills base by lack of training. A training survey undertaken by PCG last year showed that 65% of respondents had degrees, and some 83% had undertaken specialist training or qualifications.

When asked which skills they would like to develop, a very high percentage indicated specialist sector skills, but significant numbers also said that they wanted to develop their skills in sales, marketing, commercial and contractual matters, negotiation, personal development and time management.

This was borne out by a very high number of registrations for the marketing and networking break-out sessions at PCG's conference in October - so many that the agenda was changed to facilitate two concurrent marketing sessions. In a subsequent survey about a series of planned seminars, nearly 70% of respondents said that they wanted to attend sessions about marketing and networking for better business.

The value of "soft skills" in making us more successful freelancers and business people cannot be underestimated. By investing in our soft skills, we can learn to build trust, confidence, empathy, listening, adaptability and self-control. In the changing economic climate, these complementary attributes will become increasingly important in differentiating the mediocre from the successful freelancer.

if they are not in a position to offer any work and secondly, you will be seen as someone who cares about what they think and have to say - everybody likes to be asked for advice.

By talking with a number of existing and potential customers you will get a clear idea of what motivates people to employ freelancers in your industry. Go through your notes and extract the most insightful comments from this research.

Think deeply about the information you have been given and start to write down how you can address those concerns, how you can and will solve their problems.

This approach is opposite to the way most freelancers operate - the only time they ever make contact with someone is to ask for work.

If you think about what you can do to help a client solve their problems and allay their fears or anxieties, a letter or brochure which addresses and answers those concerns and is conveyed in a sincere but professional manner will gain you more business.

Roy Sheppard is a leading expert on networking and referral marketing, and a visiting lecturer at Cranfield University's full-time MBA course. For further information see www.Smart-Worker.com.

New rules on spam

The EU Directive on Privacy and Electronic Communications, introduced on Thursday 11 December 2003, is an attempt to crack down on spam by regulating the dissemination of direct marketing via email and SMS, and contains two important new rules:

The first applies to all marketing messages sent by electronic mail, regardless of who the recipient is.

- ◆ The sender must not conceal their identity and
- ◆ The sender must provide a valid address for opt-out requests

The second applies only to unsolicited marketing messages sent by electronic mail to individual subscribers.

- ◆ Senders cannot send such messages unless they have the recipient's prior consent to do so.

This strict "opt-in" rule is relaxed if three exemption criteria, as follows, are satisfied.

1. The recipient's email address was collected "in the course of a sale or negotiations for a sale"
2. The sender sends promotional messages only relating to their "similar products and services" AND
3. When the address was collected, the recipient was given the opportunity to opt out (free of charge except for the cost of transmission) which they did not take. The opportunity to opt out must be given with every subsequent message.

The regulations will be enforced by the Information Commissioner's Office. Marketers have 12 weeks to adapt to the new law, after which a breach will be a criminal offence liable to a fine of up to £5,000 in a magistrate's court, or an unlimited fine if the trial is before a jury. Furthermore, anyone who has suffered damages because the regulations have been breached has the right to sue the person responsible for compensation.

See www.informationcommissioner.gov.uk



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Radical approach to collaboration

The changing climate in the IT contracting sector proved to be the catalyst for freelance contractors Peter Monit and Gary Clark to explore not only a radical new way of delivering business process projects, but also a very different way of working.

Peter explains, "As contractors in a shrinking market, we knew that there were thousands of others in the same situation, and decided to be proactive and creative. We placed an advertisement on Jobserve, inviting a small number of suitably qualified contractors to help us get a new venture off the ground. There was an overwhelming response, and we were able to select the brightest and the best. Not all of them wanted to get involved with a start-up," he adds, "but 20 of those whom we invited to join us become equity partners."

And so Radical Technologies UK (RTUK) was born. Its aim is to deliver "the next big thing". RTUK offers a new concept called Asset Realisation (AR) for identifying, modelling and controlling enterprise-wide or area-specific business processes. Peter says that as a new concept AR is non-competitive and can work with existing applications or replace them, in whole or in part.

Gary Clark describes AR as a method and a graphical toolkit for building a digital model of any enterprise or facet of it, using simple pictures and simulations based on the enterprise's assets. "These assets include, but are not limited to, technology, people, rules, customers, intellectual property, business processes, and data," he says.

"AR is self-documenting, needs no programming, no compilation and there is no source code," Gary continues. "It is very easy

to use, and a good business analyst or technician with business acumen can learn the whole thing with a week's training. We have so far found no limitations to what AR can do - from accounting systems to missile guidance."

Although AR is revolutionary, according to its creators, and cannot be compared to any other product or application, it will inevitably occupy the same space as existing Enterprise Resource Planning (ERP) applications such as SAP and PeopleSoft. It will be targeted at large SMEs and corporations, and the ease with which business rules can be changed makes it ideal for developing vertical market applications.

An early client was Renault, who asked Radical Technologies to solve its invoicing system problems. Three months had been allocated to achieving a resolution; two RTUK consultants completed the project within 11 days, much to Renault's delight.

In another departure from convention, RTUK's people operate from their respective home offices around the UK. The directors meet for a full board meeting just once a month. Having set up a year and a half ago, in August 2002, the company is already operating successfully as a modern virtual organisation and an example of the collaboration model at work.

Chairman Peter Monit's vision is to extend the collaboration ideal through a network of accredited consultants. "Ours is a meritocracy," he says, "and we espouse a 'no blame' culture. In seeking associates we are looking for individuals who are bright, experienced, open to new ideas and lateral thinkers."

Peter Monit is a PCG member. For further information see www.radologies.com



Evaluating the collaboration model

Many freelancers put a high value on their autonomy and their ability to control their business careers without reference to anyone else. However, those wishing to operate outside the typical contractor / agency / client set-up, may find that autonomy can also be a weakness. From an economist's perspective, an individual working on his own lacks any economies of scale. In selling to a client, his products portfolio is restricted to his own skill set, and the volume that he can sell is restricted to the number of hours that he is able to work. In comparison, the agent or mid-size consulting organisation can sell a wide range of skills and can offer the services of several people at once.

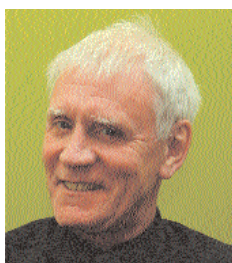
PCG wants to help members who are keen to find ways of collaborating with each other to overcome some of the disadvantages of working alone and to expand the market opportunities available to them.

For example, a business analyst and a software developer may be able to team up to produce software products for sale. People with sales skills may wish to collaborate with people with delivery skills - and vice versa - in order to create opportunities which would be out of their reach as individuals and micro-businesses.

PCG's first step will be to hold a few workshop sessions to enable interested members to meet one other, and to discuss some of the issues which are involved in adapting from working alone to working with business partners. The first session is likely to be scheduled for late spring or early summer. Watch the website for details, as places will be limited and therefore assigned on first-come first-served basis.



Peter Monit



Gary Clark



Graham Bennett



Paul Tibbins

Finding the right financial advice

For many people, appointing a financial adviser is in some ways a rite of passage. It marks the point in your life at which, after years of struggling to pay the bills and get through the month without running out of money, you can afford to set aside a few pennies each month. Perhaps you have decided to buy your own home. Perhaps the weekend clubbing habit has lost its attractions, and your thoughts are turning towards more mundane but essential topics like pensions.

So you start flicking through the personal finance supplements in the Sunday newspapers, in search of inspiration, information and advice. And instead you are overwhelmed by convoluted talk of Isas and with-profits policies and corporate bonds and gilts and hedge funds and annuities and SIPP pensions and SSAS pensions and inheritance tax planning and equity funds and Toisas and unit trusts.

Your eyes glaze over, and you realise that you will need help. The role of an Independent Financial Adviser (IFA) is clearly defined, in that unlike "tied" advisers, they work for you, not the product provider. One of the best ways to find an IFA is through word of mouth recommendation, and there are a variety of websites that can help you to find a suitable IFA too. Before you make any decisions though, bear in mind that you are looking at a long-term relationship, potentially. You will have to share personal financial information with him or her that you would not want to tell anyone other than your spouse or partner.

Define what you want - someone who will help only in relation to investments, pensions and tax? There are advisers who are "execution-only" and do only what you tell them. Other advisers take all the decisions for you: you simply hand over the money, sign the papers and agree to do what they suggest. These are "discretionary" advisers, usually stockbrokers. In-between are most independent advisers. They advise and recommend, but you make the final decision.

Almost all advisers will let you have half an hour to an hour of free time where you can ask them about how they operate. Ask what qualifications they have; all advisers must have at least the FPC. Find out whether they charge fees or commissions. The latter may be cheaper, given typical fees of between £120 and £250 an hour, but fees avoid any potential for bias.

Check that the IFA is registered by the Financial Services Authority (FSA), which is an independent organisation responsible for regulating financial services in the UK. The FSA regulates most financial services markets and firms. It sets the standards that they must meet and can take action against firms if they fail to meet the required standards. This often involves requiring firms to pay compensation to their customers.

For further information, see www.fsa.gov.uk/register, www.unbiased.co.uk, www.sofa.org, www.searchifa.co.uk, and www.financialplanning.org.uk

This article does not constitute regulated financial advice and is intended to provide general personal financial information. It is strongly recommended that you consult an Independent Financial Adviser (IFA) before making any important decisions about your finances.

Self-employment = Freedom

Really?

Self-employment offers the chance to be your own boss, work when you choose and reap all of the rewards of your hard work. It also brings with it complications when it comes to financial planning.

The chances are, you realise the importance of sound financial planning for yourself, your loved ones and your business. So, like most people, you probably have a range of plans in place. Some good, some not so good. There may still be some serious gaps.

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PCG challenging 'married couples tax'

PCG will be taking on the taxman at the Special Commissioners of Income Tax, with a case that could have massive implications for thousands of husband and wife businesses.

The case is that of PCG member Geoff Jones and his wife Diana, who run a small IT consulting business, Arctic Systems, and concerns Section 660A.

Section 660A of the Income and Corporation taxes Act 1988, also known as the "settlements legislation," is a little-known tax rule under which the Inland Revenue has recently argued that dividend income received

by a non fee earning spouse or other connected person should be taxed as the main fee earner's income, typically at the higher rate of 40%.

The Revenue is seeking to apply the settlements legislation over each of the last six years, amounting to an additional tax bill of around £42,000 for the Joneses.

Geoff Jones said, "We're fighting this investigation, not only for ourselves, but because otherwise countless other family businesses will face being ruined. We would never have been able to make a stand against this kind of injustice without the solid support of the PCG over the past two years."



PCG's support for this case demonstrates that it will always seek to defend its members, not just against IR35 but against any unfair measure used against them. It believes that the Inland Revenue is wrong both morally and in law to seek to apply the settlements legislation in the way that it is attempting to in this case.

Wins versus losses

PCG offers the most comprehensive source of IR35 advice, guidance and tools. Its legal cover has saved members an estimated £4 million in professional charges and taxes since its inception. 421 tax status cases have so been concluded, all of them successfully, with the exception of just one where the member involved settled with Inland Revenue for personal reasons.

PCG's advice to members is that in the event of being notified about any form of tax investigation, they should immediately seek professional advice.

Legal and tax queries should be made directly via the Legal Helpline on 0845 125 92 51 or Tax Helpline on 0845 125 92 52.

Another IR35 victory for PCG with Tilbury win

PCG member Roger Tilbury has won his IR35 case at the Special Commissioners of Income Tax.

In handing down his nine page judgement, Mr Stephen Oliver QC concluded that Roger would not have been regarded as Ford's employee, because a number of factors relating to substitution and control were, in his opinion, inconsistent with employment.

PCG supported Tilbury throughout the case, and he was represented by Dave Smith of Accountax. On receiving the judgement, 56 year old Roger said, "I'm delighted to have won, and relieved that it's over. I am very grateful," he added, "for PCG's support and for Dave Smith's outstanding representation."

This significant case re-establishes the core principles of defining an employment relationship based upon the actual contract and the facts, rather than trying to construct a notional contract intended to imply employment.

Furthermore, it recognises even a fettered substitution clause as being inconsistent with employment, despite never having been exercised.

Roger had been working for the same end client for nine years, being paid by the hour, and it is encouraging to note that the issues of control and substitution were deemed more important in determining his employment status.

PCG full and affiliate membership

Freelance contractors may join the PCG as full members, for an annual fee of just £100 plus VAT, which buys:

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- ◆ Standard contract templates

- ◆ Access to a wealth of technical and commercial advice via the forums
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Affiliate Membership

PCG recognises the contribution of a wide range of stakeholders in the freelance marketplace, and invites them to join the PCG as Affiliate members for an annual fee of £250

plus VAT. PCG publishes news and analysis covering all relevant legal, accounting and other areas. Affiliates can communicate with members using the online discussion forums.

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For an Affiliate application, email mandie.bell@pcg.org.uk

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Recycle-IT!

Recycle-IT! is the UK's first and largest national not-for-profit computer recycling company providing low-cost computers for voluntary groups, charities, churches, schools, disabled people and embryonic businesses. Its aim is to help the long-term unemployed with training and work experience, and also to reduce waste and landfill volumes.

Based in Luton, Recycle-IT! was formed in 1995, and is a Social Enterprise supplying high-quality refurbished computers. It takes unwanted industry computers and adds new software to suit the individual and then sells them as low cost alternatives to new models. Over 4,000 individuals and community groups have benefited.

PCG invited Recycle-IT! to share its exhibition stand at the CBI National Conference near Birmingham in November 2003. As chairman Simon Griffiths explained, "We wanted to show our support for Recycle-IT!, whose contribution to the less-advantaged in our society and to the environment deserves recognition and respect."

"Like many large companies, we are constantly upgrading our computer hardware. When we do so, we want to ensure three things: firstly that the kit is recycled wherever possible, secondly, that all the Laing information is wiped clean off the hard disk, and thirdly, that we don't infringe any software license as we pass on these machines.

By working in partnership with Recycle-IT!, we met all of these requirements. They worked to our schedules and timescales and made it easy for us. And the end result is that we were a very satisfied customer, and many charities and schools got hardware and software that will enable them to carry on using these machines for many years to come."

Michael Hamilton
Director of Community Affairs, John Laing plc

Benefits to donors

- ◆ A one step process that enables companies to pass on older computer equipment to the community and education sector.
- ◆ Recycle-IT! takes on all liability for electrical safety, software license issues, and data protection.
- ◆ Recycle-IT! deals with technical problems and after-sales service to the customer.
- ◆ Recycle-IT! tracks equipment through to the customer and can provide information to the donor for audit and PR purposes as required.
- ◆ Recycle-IT! collects from anywhere in mainland UK, and normally arranges a time within a week of the request. This is a free service.

According to co-founder George Ruddock, the minimum specification for base units is Pentium 1. "All we ask is that hard disks,

memory and so forth are left in the machines. We provide a secure wiping service, and it is safer to let us deal with your data," he says, "than for you to remove the hard disks and lock them in a cupboard.

"Your unwanted computers can really make a difference to charities and voluntary groups," George continues, "as well as students and schoolchildren who are expected to use a computer for course work and research - for many families this stretches resources or disadvantages the child educationally. Providing access to internet shopping, support groups and contact through email, a low-cost computer can radically enhance quality of life for disabled or elderly people."

For further information see
www.recycle-it.ltd.uk

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Liberty Accounts launches online accounting system



Looking back at January 2000, Alan Wright recalls the time when he and fellow contractor Fraser Maclennan made a life changing decision to break away from conventional contracting by collaborating to develop internet applications. “The dot.com boom was at its zenith, the lastminute.com flotation imminent,” says Alan, “and there was a never-ending supply of teenage internet millionaire stories in the newspapers.

“We had ridden the Y2K gravy train to the end of the line. The whole IR35 thing was looming like some vague insult, and we both felt the need to create something more tangible and enduring in our professional lives.”

Fraser Maclennan remembers their early optimism. “We felt as though the future was so bright that we had to wear shades - unfortunately our shades were kind of rose-tinted,” he says. “Our first project was an email reminder service at www.free-minder.com that we launched in December 2000. We really thought this was going to make us some money, but we were wrong. Now we look back on that episode as being ‘school fees’. It cost us, but we learnt from our mistakes.”

“This was probably the most difficult time,” Alan acknowledges. “By now, ‘dot.com’ was a dirty word, and conventional contracting, with the luxury of a relatively regular income, looked attractive once more. We spent the next year looking for the right idea.” Fraser agrees, “Yes, it was tough, but when our vision for Liberty Accounts, a purpose-built online accounting package started to crystallise, our enthusiasm was completely restored.”

As contractors, Alan and Fraser had been working in both Europe and the UK, and had encountered all the associated complications in terms of bookkeeping and taxation issues. They could manage their books using a PC package on a laptop, but without access to the data, their accountants could not easily help them with any issues that arose. Alan describes dealing with his accountant as “a disjointed and frankly painful experience. His idea of being online was an obscenely colourful self-built website and email address.

“Free-minder taught us that we needed to do more commercial planning and market research - it is still running, by the way, and is popular with its users, but it is not currently a commercial success. As developers, we felt the urge to start building things, but this time we put a lot more effort into developing business models and researching the marketplace.

We had a great deal of free help and advice from ex-employer Paul Taylor, who later went on to join us as a director after leaving his position as finance director of a major European corporation.”

Fraser adds, “When Paul agreed to join us it was a major boost to our confidence and more importantly he added a new dimension of knowledge and experience to our skills base.”

Now it seems that this early work is starting to pay dividends.

According to Alan, “We set off on our journey with a much clearer idea of where we were going and how we were going to get there. We knew we would have very little income for the two years that it would take to develop the product, and we planned for this. We knew from our research that 60% of contractors would consider using online accounting. We knew that broadband was on the horizon, making internet-delivered applications much more viable. We knew that attitudes toward the internet were changing amongst a new generation. We knew a lot more, and everything we knew was working in favour of our proposed business model.”

“To any budding entrepreneurs out there, I would say, do your homework properly. Spend time preparing detailed plans before you embark on your dream project.”

Paul Taylor, now a director of Liberty Accounts, describes his pleasure at seeing the launch of the product at PCG’ 2003 conference, “It was great, after all the sheer hard work that has been put into Liberty Accounts, to be able to set out our stall at the conference. I know that it was important to Fraser and

Alan, as ex-contractors, to be there, and the response was very positive. This augurs well for 2004.”

Alan sums up their sentiments with some advice: “To any budding entrepreneurs out there, I would say, do your homework properly. Spend time preparing detailed plans before you embark on your dream project. And remember that it is likely to take longer than you think to start generating revenue, so make sure that you have some savings set aside.”

For further information visit the website www.libertyaccounts.com



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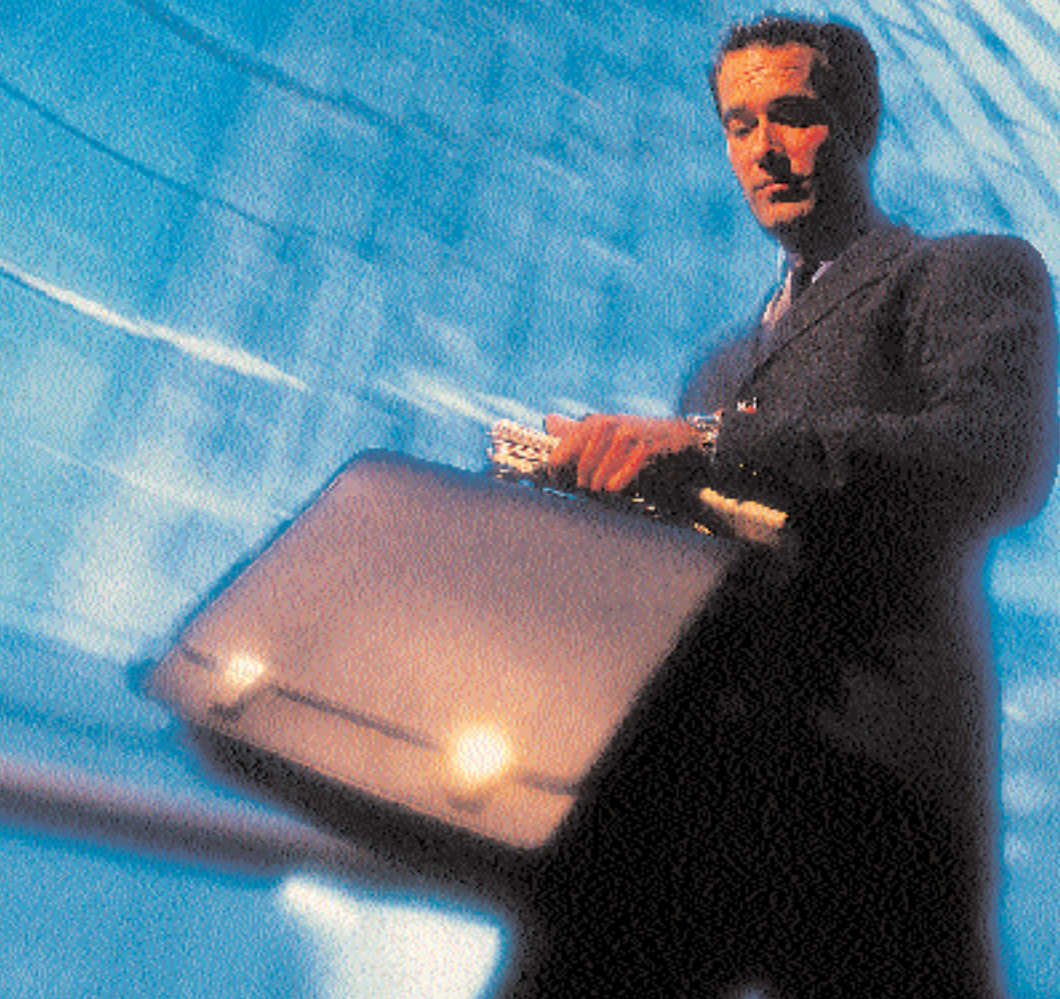



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