

Freelancing Matters



**Protecting
and promoting
the interests
of freelancers**

**Focus on
networking**

**Profile of
a freelance
subsea engineer**

**Taxing time
for family
businesses**



Dr Simon Juden
Chairman

Inside this issue

Profile of a freelance subsea engineer	4
Policy highlights	7
QAIC initiative throws open doors	9
Guide to Agency Regulations	11
Taxing time for family businesses	12
Case law update	13
Spotlight on the regions	14
Highlights of membership survey	15
Focus on networking	18
Forging links with complementary organisations	21
Working from home: tax implications	22
Budget 2004: tax treatment of small companies	24

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

Copyright © PCG 2004

Disclaimer:

Opinions expressed in Freelancing Matters are not necessarily those of PCG. All articles are for general guidance only and are not a substitute for professional advice where specific circumstances can be considered. Whilst every effort has been made to ensure the information contained within this publication is correct, neither the publishers nor the authors or their companies accept any liability for any errors or omissions contained within or any action taken or not taken in reliance upon the information provided in these articles. No part of this publication including any article, advertisement or graphic in whole or part may be reproduced without the express permission of the publishers. PCG neither endorses nor provides any indemnity regarding any product, service or organisation advertising in Freelancing Matters unless specifically stated.

Trademarks

All trademarks and trade names mentioned herein are the property of their respective owners.

PCG: the trade association for freelancers

Welcome to the fourth edition of Freelancing Matters.

I would like to take this opportunity to introduce myself to you and share some of my thoughts and plans for the next 12 months.

I was elected chairman in May, and have been closely involved with PCG, especially with the policy and legal aspects of the organisation, since its first year. I am delighted to take on this new role and am thoroughly looking forward to leading PCG through the next important stage in its development.

My vision for PCG as the trade association for freelancers has two strands. PCG should be the voice of freelancers, working with the Government and industry to protect and promote freelancing on a local, national and European level. It should also be at the heart of the freelance consulting and contracting community, supporting and nurturing its members through all parts of the freelance life cycle, offering commercial support, fostering peer support and encouraging new ways of working.

We have some challenging and important objectives for the year ahead, including to:

- ◆ Expand and enhance our sphere of influence at a national and European level, working with Government and key non-governmental organisations (NGOs)
- ◆ Greatly strengthen and enhance our regional networks
- ◆ Further enhance the support we offer to members
- ◆ Continue to provide the best possible defence for members against IR35, S660A and any other relevant measures
- ◆ Expand the sectors from which we recruit, and recruit more members
- ◆ Engage constructively and positively with the Government in the conduct of its review of owner-managed businesses announced in the Budget Report

This latter point is one of the most critical events on the horizon for independent consultants in the coming year. Among possible outcomes is the replacement of IR35 or the creation of a new legal vehicle through which one can provide services as a freelancer to which IR35 does not apply. PCG's position remains that contractors should be taxed fairly and in a transparent and easily administered fashion, and this is the position we will be taking to Government as part of the review.

Our plan to strengthen and enhance our regional networks has already been the driver for several regional activities this year, including 14 very successful Smarter Freelancing seminars. I participated in every single one of these events, and was very pleased to have the opportunity of meeting so many members and potential members. There is clearly a demand for these freelancer seminars, as demonstrated again by the enthusiastic showing at our ongoing programme of co-hosted events.

I would like to thank all those members who took the time to respond to our annual membership and satisfaction survey, providing a wealth of information which will help ensure that the decisions taken by my board colleagues and me remain oriented with the needs and desires of our members and the contractor community at large. Members can of course raise any matters with us they want on the online forum at www.pcg.org.uk/threads

Finally, I hope you enjoy this fourth edition of our regular magazine. This issue is focused on the oil, gas and engineering sectors from which a significant part of our membership is drawn.

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
Bauer & Cottrell	01525 712 727
Lawspeed	01273 236 236
SJD Accountancy	0500 152 500
PI & liability insurance	
Randell Dorling	020 7929 5454

PCG appoints new chairman and board

Following the first meeting of its newly-elected Consultative Council (CC) in May, PCG announced the appointment of Dr Simon Juden as its new chairman.

One of the UK's leading technical architects, Simon is a Cambridge mathematics graduate who has been freelance since 1997, supplying expert services to a range of blue-chip clients as well as writing and broadcasting on freelancing and the IT sector. He joined PCG in its first year, and for the past year served as director with overall responsibility for co-ordinating 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, directed meetings with DTI regarding the Agency Regulations and contact with the Home Office on the Security Regulations. Simon played a key role in the PCG team which agreed an industry standard contract with the agency body, ATSCO.

Former chairman Simon Griffiths is deputy chair, and Richard Robson and Ian Durrant continue to serve on the board. Neil Graham has been appointed finance director, and two other new directors, Chris Woollacott and Julie Stewart, join the board.



Neil Graham

Chartered accountant Neil Graham is a partner at Berg Kaprow Lewis LLP, a top 60 practice with 13 partners and around 100 staff. The firm's client base includes some 200 freelancers, and during his 16 years' working with contractors, Neil has witnessed a number of changes, including the introduction of IR35.



Chris Woollacott

An expert in radio communication systems design, Chris Woollacott is a Chartered Electrical Engineer and Chartered Physicist. He holds a first class honours degree in electronics engineering and an MSc (with distinction) in microwave solid-state physics. Chris joined PCG in 1999 and has been a member of the CC since 2002. As a non-executive director, he is involved in all aspects of PCG strategy, decision-making and ensuring the correct governance of the organisation.



Julie Stewart

Julie Stewart has been a freelancer for 22 years, covering a wide range of IT roles, from programming, analysis and design through to technical consulting, testing and data migration. She joined PCG in May 1999, and has served on the CC from its inception in 2000, when PCG came into being as a legal entity. Her focus will be to help build a regional network of PCG clusters.

For further information, see www.pcg.org.uk/aboutus/organisation.html

Guide to Freelancing

PCG has published the third edition of its Guide to Freelancing, which is available free of charge to members and non-members alike, and may be downloaded from PCG's website at www.pcg.org.uk.

The guide has been updated extensively to include an overview of limited liability partnerships (LLPs), details of the new VAT flat rate scheme, an explanation of the 19% dividend tax announced in the 2004 Budget and details about useful resources and internet sites.

Other new topics include sections on marketing oneself and networking, working from home, and business rates for home offices. The personal finance and taxation sections have been updated, and the guide includes clarification about dispensations and allowable expenses for freelancers thinking about operating through umbrella companies. "We are very pleased to offer this valuable guide to the freelance small business community," said PCG chairman, Simon Juden.

"This definitive guide provides a useful source of information to new and established freelancers and small business owners, and offers a wealth of helpful advice about running and nurturing a successful business.

"Academics estimate that there are around one million freelancers in the UK, from entertainment and media through to IT, financial services, engineering, management and consulting," Dr Juden continued, "and anticipate that by 2010, 40% of the UK's workforce will be freelance. With a growing number of people looking for alternative ways of working outside the corporate umbrella, and few of them knowing where to go for information and advice, PCG clearly has an important role to play."



2004 Events Diary

During 2004, PCG has so far hosted or attended the following events:

- ◆ Alliance of Business Consultants
- ◆ Conservative Party Small Business Summit
- ◆ DTI offshoring seminar
- ◆ TAF/DfES skills strategy seminar
- ◆ Small Business Europe
- ◆ Freelancer seminars in London, Manchester, Birmingham, Bristol, Swindon, Croydon and Southampton
- ◆ Affiliate day
- ◆ FSB 30th anniversary
- ◆ Small Business Week

The following events are scheduled for the rest of the year:

19-23 September	Liberal Democrat Party conference	Attending
24 September	Affiliate day	PCG event
26-29 September	Labour Party conference	Attending
4-7 October	Conservative Party conference	Attending
4 November	Consultants Network Forum	Speaking
7-9 November	CBI conference	Attending





Profile of a freelancer: Leigh Mount

46-year-old Leigh Mount is a subsea construction engineer who has been contracting in one guise or another since 1977. His work experience includes commercial fishing, demolition, digging holes in the road, laying kerb stones, civil engineering diving and offshore diving. He is currently contracted as a senior project engineer for one of the world's largest subsea construction companies.

Leigh started his self-employed working life as a 'share fisherman' with the local inshore fleet, after a three-year apprenticeship in commercial and industrial photography and much door-knocking failed to secure him a job in the photo agency world.

His introduction, in 1979, to a team of commercial divers working on the demolition of a local Victorian pier led to a long-term career as a professional diver, starting with marine civil engineering projects around the country.



Loading 2m x 30m mooring piles weighing 100 tonnes

In 1982, three very tough months on a TOPS course in commercial diving at Falmouth qualified him to work offshore in the oil and gas industry as a commercial air diver. He headed for Aberdeen, hub of the UK offshore diving industry, to start knocking on doors yet again - this time with more success. Before long, he was offshore as a 'baby diver' on a new diving support vessel called the 'Seaway Condor'.

His earlier industrial photographic background was always in demand with diving companies, and Leigh recalls on one job having to use his wardrobe at a B&B on the Scilly Isles as a makeshift darkroom.

In 1994, he was asked to undertake ad hoc office work, assisting an offshore diving company with the development of offshore construction procedures and the procurement of equipment for a specific offshore project. He alternated this work with diving assignments over the next couple of years.

Three years' later, Leigh was invited to provide consulting services to his present client, which he accepted. A limited company was established, and Leigh has since then worked on numerous aspects of the subsea offshore construction industry, including tendering, engineering and the development of new techniques through to the offshore installation phases of the project. His work has taken him all over the world, including latterly Paris, Houston and his current location, Newfoundland.

"Unless you are extremely lucky," says Leigh, "at some stage in your contracting career, you will have to work away from home. I have strong recollections of my young son being pulled off me, crying his heart out, and just having to get in the car and go away for the next month or more."

"Working abroad can exacerbate the situation," he continues, "and the further away or the more remote the location, the harder it is. If a domestic crisis or family problem arises whilst you're away, there's not much you can do other than to listen and offer advice - you can't always just drop everything and get on



Crane on diverless construction vessel, Cape Town

the next available flight, as it may take you more than a day or two to get home. I was some 300 miles north of the Shetland Isles, on a dive boat in the middle of nowhere, when I got a call through old Portishead radio station telling me that if wanted to see the birth of my first child, I had better start travelling. Before you commit to a contract, you should get your leave and travel rota agreed, otherwise you will miss family birthdays and important aspects of family life."

**"As a freelancer,
you live or die by
your reputation,
and are only as good
as your last job.
I see myself as a true
consultant, retained
by my main client for
my industry knowledge
and experience."**

According to Leigh, freelancing has its merits, but only for those who are prepared to forgo the benefits of job security, health and pension schemes, paid holidays and welfare rights, and to make the financial commitments and take the risks associated with freelancing. "As a freelancer," he says, "you live or die by your reputation, and are only as good as your last job. I see myself as a true consultant, retained by my main client

for my industry knowledge and experience. I'm often asked by others within the industry for an opinion or idea on how to address aspects of the job, and I also do ad hoc consulting work for various contacts within the civil engineering industry from my early days as a diver."

The oil and gas industry has a higher percentage of contractors than any other industry in the UK, and Leigh points out that this is not necessarily the chosen route for many of those individuals. Historically, the industry has preferred to utilise the resources of contractors who can be hired and fired as required, instead of the operators and service companies having to bear the cost and burden of an employed workforce during the lean times.

"The whole community is driven by the price per barrel," explains Leigh. "This extends to everything associated with the industry, including the cost of accommodation, the price of a pint, and the cost of a loaf of bread at the corner shop. I remember a few years ago, when the price fell to just \$11 a barrel - I left my rented accommodation for the client site, only to see another four contractors in the same street tying their personal belongings to their car roofs, as they had been paid off that week. No notice, no soft landing.

"The Government's 'Brown field taxation' has had a marked impact on North Sea projects and in turn the contracting industry since its introduction. Several planned developments and projects were shelved by the operators because of the uncertainty surrounding the tax and its economic implications. Many contractors have moved to other locations, such as Houston, Baku and West Africa. The oil and gas industry has most probably one of the most migrant workforces around."

All Leigh's projects are contracted directly with the client, and he has never had to operate through an agency, either by choice or at a client's request. "Although it operates on a global level, in some pretty far-flung and unusual locations, the oil and gas industry is actually quite small. Word-of-mouth referrals and recommendations count for a lot."

Leigh rates his last project as being one of the most interesting. Based in the Gulf of Mexico,

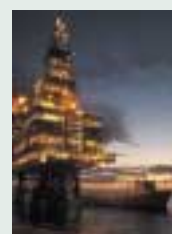


Diving support vessel CSO Wellservicer sailing through 'The Narrows' entrance to St. John's Newfoundland

it involved laying rigid steel pipeline's in 7,600 feet of water. The pipe was installed from a specialist vessel and then transferred to a winch on the floating platform, before being bolted to the process equipment. "The maximum load on the winch during this operation was 700 tons - that's the equivalent to a car park full of Mini cars," says Leigh. "Eleven world records were set during that project."

Work, travel and family commitments leave little time for hobbies, but Leigh admits to enjoying sketching and watercolour painting; he reads a lot too, and finds great pleasure in walking and trekking when he can.

Leigh Mount has been a PCG member since February 2001, and is the political liaison officer for the Aberdeen Working Party and a member of the Consultative Council.



Scott at Dawn

Front cover photo of the Far Grimshader alongside the Scott platform in the central North Sea, taken from the Kommandor Subsea which was surveying underwater pipelines.

Winner of the Marex Offshore Review Photograph Competition 2001/2002. Courtesy of Derek Mackay. www.offshorepictures.com

Payment services for freelancers

Since 1995 we have paid contractors efficiently and quickly.

We are specialists in IR35, maximising tax benefits and company administration.

■ AMS Managed

An individual Limited Company set up and run for you.

Generous expenses allowances - approved by the Inland Revenue.

You do as little as possible - we do the rest.

■ AMS Independent

For freelance contractors who run their own business.

We will prepare your accounts and handle your PAYE, VAT etc.

Alternatively, speak to us about a tailored service.

a | m | s
ams contractors



call: 01793 818400

email: admin@ams-contractors.co.uk

www.ams-contractors.co.uk

**contractor
payment
service**



FED UP WITH TAKING THE SAME OLD ROUTE TO FIND WORK? MOVE INTO THE FAST LANE AND EXPERIENCE THE INNOVATION OF PENDRAGON. UNLOCK YOUR POTENTIAL. **FORGET THE OLD RULES, NO LIMITS APPLY.**

MEET US AT www.pendragon-cs.com

Pendragon 
NO LIMITS

Policy highlights

PCG's policy team has continued its sterling work in raising the profile of PCG at a national and European level, lobbying tirelessly on issues that matter to freelance businesses.

In February, Ian Durrant, PCG's director of external affairs, together with political advisers David Ramsden and Jo Phillips, visited Brussels to engage in proactive consultation with a range of Commission officials and MEPs from all three major parties.

The reason for this visit - facilitated by PCG's new partner in Brussels, "Small Business Europe" - was to forge new relationships and explore ways in which PCG could both participate in and influence decisions made by the EU which affect the ability of its members to go about their business.

Ian Durrant said, "We received an extremely warm and positive reception from all the people we met. EU officials listened to our concerns and understood that the traditional bipartite dialogue between unions and employers meant that organisations like PCG had no voice in areas that affected them. The four MEPs we met also understood the problem our members face and indeed, have promised to raise those concerns by way of parliamentary questions to the Commission. It is important that we have a voice and input at the European level as well as in the UK. Our aim is to gain recognition for the freelance sector and to ensure that its voice is heard."

Following the visit, Peter Skinner MEP (Labour) wrote to the European Commission, formally asking whether it knew how many freelancers there were throughout the EU, and suggesting that were this information not available, a survey should be commissioned.

Closer to home, a PCG delegation visited the DTI in March to receive congratulations from the Minister for Small Business, Nigel Griffiths MP, for achieving ISO9001 certification. PCG is the first trade association in the UK to attain this prestigious accreditation, and Nigel Griffiths gave an enthusiastic welcome to its plans to implement a tailored quality scheme for professional freelance consultancy businesses.

On Budget day, David Ramsden was at Westminster to gauge immediate reactions to the announcements forecast in paragraph 5.91 of the Pre-Budget Report. Sources from all three main political parties gave their reactions, which mostly mirrored PCG's view that, unwelcome as the changes were, they could have been worse.

Two days' later, Simon Juden was invited to appear on BBC's Working Lunch programme

with John Whiting, tax partner at PricewaterhouseCoopers, to discuss measures announced in the Budget that would affect small businesses. Simon said that PCG welcomed the prospect of a full consultation and review of small business structures, commenting that the self-employment laws dated back to the 19th century, and were clearly inappropriate for the 21st century. He was invited to participate in the Working Lunch programme on two further occasions.

PCG was invited to present evidence to the House of Commons Trade and Industry Select Committee on the investigation into the IT sector, and has prepared a further submission to the committee on employment law and the need for flexibility. It is a mark of PCG's standing that it is now viewed by parliament as a valuable source of information and opinion.

"It is important that we have a voice and input at the European level as well as in the UK. Our aim is to gain recognition for the freelance sector and to ensure that its voice is heard."

The All Party Parliamentary Small Business Group (APPSBG) commissioned a survey regarding "Owner-managed businesses and their tax" in which PCG encouraged its members to participate. Ian Durrant and David Ramsden attended a meeting of the APPSBG at the House of Commons in June, at which Dr Alan Southern from the University of Liverpool presented the findings from the survey.

His interim report indicated that small businesses viewed the taxation system as being complicated and frustrating. IR35 was an area of concern, as was the new 19% tax on distributed profits. Ian presented a paper on "Status, Self-Employment and the Contractor's Experience" promoting the need for a statutory right to be self-employed, rather than having one's employment status determined in accordance with the latest pronouncement from the courts.

Work permits and offshoring have remained high on the policy team's agenda, and Ian



Durrant and Gurdial Rai again met with a senior official from Work Permits UK (WPUK), which is part of the Home Office's Immigration and Nationality Directorate (IND) and administers work permit arrangements on behalf of the Government. They discussed the problems experienced with monitoring the work permit scheme and agreed to provide further assistance in identifying potential improvements.

Ian was also invited by the British Computer Society (BCS) to represent PCG on its policy working party on offshore outsourcing, and has so far attended two meetings. "It is too early to anticipate the outcome of the exercise," he said, "but I can assure members that I am doing everything I can to ensure that the issues facing freelancers are reflected in the process."

A meeting of the Parliamentary IT Commission (PITCOM) offered Ian a further opportunity to expound PCG's concerns when he presented an argument about the potential downsides to the economic rationale typically used to justify offshoring. The losses incurred in GDP, for the IT sector at least, would not be offset by the savings made by companies, and therefore the UK economy would realise no benefit from the trend.

The team has continued its important work in furthering PCG's influence with trades union and other representative organisations. It has met with officials from Amicus and UNIFI, the Confederation of British Industry (CBI), The Association of Technology Staffing Companies (ATSCo), and the Trade Association Forum (TAF).

In the spirit of working positively with government agencies to improve matters for its members, PCG has also met with representatives from the Inland Revenue to discuss a range of issues affecting freelance small business owners. PCG's team will be attending all the three major party conferences this autumn.

Respondents to PCG's annual membership and satisfaction survey indicated that lobbying activities were extremely important to them, and the policy team is clearly working very hard to meet and exceed their expectations.

PCG

PROFESSIONAL
CONTRACTORS
GROUP

QAIC

Do you want to stand out from the crowd?

If you run a high-calibre, independent consulting business, then UKAS accredited ISO9001 certification through PCG's QAIC scheme will open new markets for you. Show that you are a cut above; get your share of public sector and other opportunities.

Call **0845 125 9899** or visit www.pcg.org.uk/qaic



Get the most from your management systems

Training Services

BVQI offers specialised IRCA Accredited Auditor training in the areas of:

Information Security	BS 7799
Quality	ISO 9001
Environment	ISO 14001
Health & Safety	OHSAS 18001
Corporate Social Responsibility	

Contact us on:
(020) 7661 0778

Web: www.bvtraining.com
e-mail: training@uk.bureauveritas.com

Certification Services

The BVQI brand is synonymous with quality and professionalism.

We can offer certification to all major local and international standards, with the emphasis always placed on working in partnership with your business to get the most from your systems and personnel.

Contact us on:
(020) 7661 0700
Web: www.bvqi.co.uk



The world's leading certification body

QAIC initiative throws open doors to new markets

PCG has launched its Quality Assured Independent Consultants (QAIC) scheme for members. The scheme, which will be delivered via a wholly owned subsidiary, is targeted at the freelance small business community, and will comprise a tailored UKAS accredited ISO9001:2000 certification process.

Announcing the scheme, PCG director Richard Robson said, "Just over a year ago PCG embarked on an unprecedented mission to deliver worthwhile accreditation to our members at an affordable price. I am delighted to announce a unique opportunity for PCG members to obtain fully accredited ISO9001:2000 certification at a cost of £1,000."

In many organisations, especially those in the public sector, UKAS accredited ISO9001 is either a mandatory requirement or an important success criterion in the supplier selection process. QAIC takes an unprecedented cross-sector approach and should be applicable to almost all PCG members' businesses.

It comprises:

- ◆ UKAS accredited ISO9001:2000 certification
- ◆ A stringent code of conduct and ethics relevant to the freelance and consulting business
- ◆ A comprehensive support environment.

ISO9001 project manager Steve Sowerby commented, "The ability for a company to prove its integrity beyond any doubt to its clients is something I thought we would never see. It gives businesses real opportunities to reduce their risks when selecting freelancers."

QAIC includes all the mandatory components required to achieve certification, including training, electronic quality management system (EQMS) and internal and external audit. It has been designed specifically for PCG members' companies, many of which comprise one or two fee-earners charging for time, skills, knowledge and experience.

The Quality Management System (QMS) is web-based and provides an environment and structured processes for:

- ◆ Servicing existing clients
- ◆ Acquiring new clients
- ◆ Continual business development
- ◆ Customer relationship management (CRM)
- ◆ Compliance
- ◆ Storage of and access to all relevant business documents

PCG believes that ISO9001 certification through the QAIC scheme will help the brightest and best independent consultants to compete on a level playing field for public sector projects, and offer them an excellent opportunity to differentiate their own businesses from those of their competitors.

The QAIC scheme bundles all the mandatory components required for ISO9001:2000, and a few more besides, in a single, comprehensive fixed-price package designed explicitly to suit contractors. It contains:

- ◆ Complete course notes and manuals
- ◆ A fully supported web site with forums specifically for ISO9001
- ◆ An on-line test in preparation for the training course
- ◆ A one-day course
- ◆ Experienced mentors to give advice on quality matters as you go
- ◆ The mandatory Internal Audit (half a day for a fully-qualified auditor)
- ◆ The mandatory External Audit (over half a day for a fully-qualified auditor)
- ◆ A fully-hosted Electronic Quality Management System (EQMS) and technical support throughout
- ◆ The infrastructure to support all these elements

The QAIC scheme allows both clients and freelance businesses to operate in a more

professional manner by highlighting businesses of the highest integrity. Certification should open doors previously closed to small consultancies, particularly in the growing public sector, enabling them to stand out during the routine selection processes of agencies and clients, giving them the chance to demonstrate that their organisations are run effectively and honestly, and establishing rigorous business processes to deliver greater efficiency and facilitate growth.

PCG believes that ISO9001 certification through the QAIC scheme will help the brightest and best independent consultants to compete on a level playing field for public sector projects, and offer them an excellent opportunity to differentiate their own businesses from those of their competitors. PCG and its partners will actively promote the scheme in the wider business community to ensure maximum awareness.

PCG chairman Simon Juden offered his personal endorsement, "I can offer no better recommendation than that I will be returning my company cheque to secure my own place on the scheme as soon as I receive my own copy of the application form."

PCG's partners: BVQI and Qualsys

PCG is working with two partners, BVQI and Qualsys, who are sharing the development of QAIC and the risk.

BVQI, the independent certification body of Bureau Veritas, is the most widely recognised such body in the world, offering solutions in the key strategic fields of quality, health and safety, environment and social responsibility. It was formed in 1988 and has 2,000 highly trained and experienced auditors delivering services covering more than 100 countries.

Qualsys provides integrated compliance management solutions. Its Electronic Quality Management software (EQMS) suite reduces the cost of compliance with regulations, standards and contractual obligations and provides a platform for quality improvement. EQMS minimises the risk of non-compliance, provides proof of corporate governance and standardises processes right across the client organisation.

For details, see www.pcg.org.uk/qaic, www.bvqi.co.uk and www.qualsys.co.uk



I.T. Investment Banking Recruitment



Aston Carter, 123 Clifton Street, London, EC2A 4LD
t: 0207 739 5500 f: 0207 739 0020

www.astoncarter.co.uk

Guide to Agency Regulations

The Department of Trade and Industry (DTI) published The Conduct of Employment Agencies and Employment Businesses Regulations 2003 earlier this year, the main provisions of which came into force on 6 April 2004.

PCG had spent two years campaigning for an opt-out clause to allow limited company contractors, who are often highly paid and highly skilled, to opt out of being covered by the regulations, whilst preventing vulnerable workers being forced to do so. The opt-out for which PCG lobbied is covered in paragraph (9) of Clause 32 and reads as follows:

"(9) Subject to paragraph (12), paragraphs (1) - (8) shall not apply where a work-seeker which is a company, and the person who is or would be supplied by that work-seeker to carry out the work, agree that they should not apply, and give notice of that agreement to an employment business or agency, provided that such notice is given before the introduction or supply of the work-seeker or the person who would be supplied by the work-seeker to do the work, to the hirer."

The Conduct of Employment Agencies and Employment Businesses Regulations 2003 are published as Statutory Instrument 2003 No. 3319 by The Stationery Office Limited, under reference ISBN 011048374X © Crown Copyright 2003. They are referred to hereinafter as the "Agency Regulations".

Since the publication of the Agency Regulations, there has been considerable confusion about the implementation of the opt-out clause and PCG commissioned extensive analysis before publishing its Guide to Agency Regulations for members.

Guidance for limited company contractors

The legal advice sought by PCG on behalf of its members appeared at the outset to be conflicting, but on balance supports the view that limited company contractors may opt out of the Agency Regulations in their entirety. This understanding also accords with DTI's view, as confirmed to PCG in writing, and represents the position for which PCG successfully lobbied prior to the introduction of the Agency Regulations. There are two key points to note:

- ◆ It is a contravention of the Act for any agency to require you to opt out of the Agency Regulations. It may also be illegal for them to pressure you to do so by threatening not to put forward your CV.
- ◆ The "opt-out" must take place before you are introduced to the client. In most cases, therefore, this means that it must take the form of a letter from you to the agency. It cannot form part of the contract, as you will already have been introduced to the client before you sign any contracts.

Relevant provisions

According to PCG director Ian Durrant, "The decision whether or not to opt out will depend upon your circumstances as a company and as an individual, and you should be aware of the provisions most likely to affect your decision - namely handcuff clauses and withholding of payment."

Handcuff clauses

Regulation 10 - Places limits on "temp to perm" fees (where the temporary worker takes up a permanent job with the client) and "temp to temp" fees (where the temporary worker is engaged by the client through another agency).

The Agency Regulations allow such fees only where the engagement occurs within either 14 weeks of the start of the assignment or within eight weeks of the end of the assignment, whichever is the later. The client must also be offered, in the terms and conditions, the alternative of an extended period of hire. If the client opts for the extended period of hire, the worker can transfer without charge at the end of that period. It is for the parties to agree the level of the transfer fee, or the length of the extended period of hire.

Withholding of payment

Regulation 12 - Employment businesses will no longer be able to withhold workers' pay purely because, for example, the employment business has not received payment from the client or because the worker cannot produce an authenticated timesheet.

The Guide to Agency Regulations is available to PCG members at:

www.pcg.org.uk/members/resources

This article is for general information only and does not constitute investment, tax, legal or other form of advice. You should not rely on this information to make (or refrain from making) any decisions. Always obtain independent, professional advice for your own particular situation.

Sample FAQ

- Q** I work through an umbrella company, and they are asking me to sign an opt-out. Is the umbrella company affected by this legislation and if so, can they ask me for an opt-out?
- A** Yes, the umbrella company comes under the Agency Regulations. You may opt out of the Agency Regulations as requested, but the notice letter - whichever form it takes - must also be signed by a signatory on behalf of the umbrella company.
- Q** What are the benefits of opting in?
- A** Restrictions on the "handcuff" clause the agency may apply. The agent must arrange any travel and accommodation requirements for you, and payment cannot be withheld because of a lack of a signed timesheet.

- Q** What are the benefits of opting out?
- A** Opting out could be helpful from an IR35 perspective, as it enables you to have a clause stating that you will correct errors in your own time, which is a fairly strong anti-IR35 pointer. It involves less paperwork, as the agency does not have to check your qualifications, age, identity and so forth. It makes things easier for your agency, which may in turn be inclined to be more helpful to you.
- Q** My agency has stated that PCG recommends opting out of the Agency Regulations. Is this true?
- A** No. PCG recommends that its members, and freelancers in general, make their own decisions based upon informed advice. It believes, however, that the majority of PCG members will wish to opt out when they have assessed the relevant factors.





Taxing time for family businesses

Hundreds of thousands of small family businesses are hoping for an end to uncertainty surrounding their tax bills after a three-day hearing in June, supported by PCG. The hearing was the first case at the Special Commissioners involving Section 660A (S660A), the “settlements legislation”. The appellants, Geoff and Diana Jones, run a small IT consulting business called Arctic Systems Ltd, and had been presented with a £42,000 tax bill covering six years’ trading activity. Judgment is expected around the start of August.

The settlements legislation has been around in various forms since the 1930s. It is wide-ranging, and deals with situations where income arises from something, for example shares, given by one person to another. This is called a “settlement”; the aim of the legislation is to stop people settling their income on another person who pays tax at a lower rate.

A special exemption excludes an outright gift by one spouse to the other unless the property given is “wholly or substantially a right to income”. For the legislation to apply, the courts have held that there has to be “bounty”: that is, something given to the other party free or at undervalue.

The Revenue’s view is that S660A may apply in the following circumstances:

- ◆ There is a limited company or partnership
- ◆ Ownership of the business is shared by connected persons, typically spouses
- ◆ One of the business owners is the sole or main fee-earner
- ◆ The other owner receives dividends or profit share

In the case of a limited company owned by spouses, where the shares are subscribed by both at the outset, the Revenue seeks to argue that by paying a salary level which allows the limited company to make profit from the fee-earner’s labour, the fee-earner is conferring bounty which is subsequently distributed to the spouse through the shares via dividends. They say the fee-earner is attempting to divert income to the spouse for the purposes of tax avoidance.

PCG believes that if both spouses subscribed for shares at the outset, then plainly no gift has taken place and the settlements legislation cannot apply. Both partners take an equal risk on starting the business and are thus morally and legally entitled to equal reward from its success, in just the same way as the owners of any other business.

“Should the Revenue succeed it would spell disaster for hundreds of thousands of small family business owners who, together with their accountants, will be hoping for a ruling in the Joneses’ favour, and a victory for common sense bringing some certainty back to tax calculations.”

Where the shares are gifted from the fee-earner to spouse, the Revenue seeks to argue that the gift is not covered by the inter-spouse exclusions because the shares are “wholly or substantially a right to income”: they carry little or nothing else of any practical value.

PCG believes this to be at clear variance with established case law: ordinary shares carry (inter alia) full rights to capital, votes and dividends as well as responsibilities for the shareholder. In other contexts, such as share valuations, the Revenue not only accepts this but also requires other rights to be taken into account. Of course situations involving preference shares may be more at risk.

The Revenue is at pains to point out that the settlements legislation is not new, and indeed some famous people have fallen foul of it in the distant past. Actor Jack Hawkins, for example, lost his case in the 1950s when the

Appeal Court ruled that his diversion of professional income to a trust for his minor children, albeit via his father-in-law, was held to be an ‘arrangement’ and hence a settlement.

Hayley Mills, another film personality, lost her case in the 1960s, when it was held that the formation of a company by her father, the settlement of the shares and the execution of a service agreement with that company constituted an arrangement and therefore a settlement.

These two cases involving artificial constructs to avoid tax are, however, very different from the situation where a couple runs a genuine business, sharing the risks, rewards, responsibilities and workloads. That one owner may undertake most or all of the fee-earning work whilst the other handles most or all of the administrative, marketing and other business support work should make no difference. PCG believes that such assertions as the Revenue deploys run counter to the regime of independent taxation of spouses.

The Revenue has yet to issue precise guidelines as to its view of the applicability of S660A: although its Tax Bulletin 64 is a step in this direction, it leaves many critical questions unanswered such as the precise level of capital assets within a business which mean the Revenue will not pursue a case. It is surely a fundamental tenet of self-assessment that a reasonably competent individual or business must be able to calculate an accurate tax bill without severe effort. PCG believes that the failure to provide details in terms of precise evaluation of individual circumstances does not sit comfortably with this notion.

Should the Revenue succeed it would spell disaster for hundreds of thousands of small family business owners who, together with their accountants, will be hoping for a ruling in the Joneses’ favour, and a victory for common sense bringing some certainty back to tax calculations.

One of the UK’s leading technical architects, Dr Simon Juden is a Cambridge mathematics graduate who has been freelance since 1997, supplying expert services to a range of blue-chip clients as well as writing and broadcasting on freelancing and the IT sector. He was appointed chairman of PCG in May 2004.

Surton victory with PCG support

Earlier this year, the Inland Revenue dropped its IR35 case against PCG member Steve Milsom, who is based in Sandy, Bedfordshire. His company, Surton Limited, specialised in software testing.

The Revenue's decision followed a long battle lasting nearly two years. Steve had innocently submitted his contract to the Revenue for review, long before the freelance community understood the risks associated with so doing. Not surprisingly, his contract was pronounced as falling within IR35. "After a mountain of correspondence had exchanged hands," says Steve, "my accountant suggested that I should go to court."

"PCG agreed to support my case, and assigned Accounttax to take care of me. In October, they requested a hearing at the Special Commissioners, but in January I received yet another letter from the Revenue, this time stating that it was dissatisfied with the investigation and had passed it to another inspector."

45-year-old Steve is relieved and pleased that his case has been dropped. "My thanks go to

PCG and Accounttax, who have both been absolutely brilliant," he says.

He is however very angry that that he and his wife, Mandy, have had to suffer so much stress for so long. "We even sold our house," he explains, "so that we would have enough money to pay all this additional tax if we lost our case. The worst thing has been the uncertainty, especially since I've always been so meticulous about my accounts and tax payments. Having been a freelance contractor for 17 years, this saga has put me off running my own business. I started a permanent job in January; my company is no longer trading and I will probably close it."

An Accounttax spokesman said, "It is disturbing that the Revenue will often pursue weak cases, apparently on the basis that they hope to win what is often nothing more than a war of attrition. An IR35 dispute should be about establishing facts and applying the correct legal principles in order to quantify the correct amount of tax and national insurance due - no more and no less. The Surton case shows the importance of taking specialist professional advice, and not just accepting what the Revenue says."

Sheerin case settled after four years



Mark Sheerin

After more than four years, the IR35 enquiry relating to PCG member and former freelancer has been settled. Mark Sheerin, an IT consultant who lives in Edinburgh, was one of the first freelancers to face a challenge from the Inland Revenue when IR35 was introduced.

Under investigation was a three-month assignment in 2000 for which Sheerin had submitted the contract paperwork to the Revenue for review. The contract was failed, and Sheerin began a long struggle to show the Revenue that his company was genuinely in business on its own account, as demonstrated by contractual terms and the reality of how the company operated.

Sheerin represented himself initially, before seeking professional help for which he paid until PCG agreed to fund his case. Three years later, despite PCG backing and help from a firm of tax experts, Sheerin had become very

frustrated and disillusioned about the lack of progress. In late 2003, his case was reassigned to Accounttax Consulting, who adopted a more pro-active approach.

"We decided to apply for a transfer of jurisdiction from the General to the Special Commissioners," said Accounttax specialist Dave Smith, "and in the end, a few days before the scheduled two-day court hearing, the Revenue wanted to settle. We were able to negotiate a settlement of just four hundred pounds to

"I'm very grateful to PCG, whose directors have been very supportive of me, and to Dave Smith and Accounttax for being extremely constructive, helpful and focused."

cover four years' alleged liability, without the need for a hearing."

Hearing the outcome, Mark Sheerin said, "I am just so relieved that it's over; the stress has taken its toll and had a significant effect on my

personal life. I'm very grateful to PCG, whose directors have been very supportive of me, and to Dave Smith and Accounttax for being extremely constructive, helpful and focused."

"This is a victory for common sense," said PCG chairman, Simon Juden, "and we are satisfied that an expensive hearing has been avoided and Mark's long battle brought to a rightful end."



PCG supporting IR35 appeal for ailing oil rig designer

Bill Hood of Usetech Limited, who recently lost his IR35 case against the Inland Revenue, has decided to appeal. Having taken expert legal advice, PCG is supporting the appeal, which has been scheduled for a July hearing.

Bill's case began three years ago, when the Revenue decided that he was not a self-employed businessman and entrepreneur, but someone else's "disguised employee", and that he should be taxed accordingly. Bill sought professional help to argue his case, but even with the support of experts, the stress and uncertainty have taken a toll on his health.

In July 2003, he had major surgery following a severe heart attack. He also suffers from diabetes and asthma, and his poor health led to the original hearing date being postponed and then eventually taking place in the living room of his Gateshead home.

Bill had started his business as a self-employed oil rig designer in 1996, at the age of 54, abandoning it last year after his heart attack. He is now 62 and is unlikely to work ever again.

Hulleon enquiry quietly closed

The Inland Revenue has closed its IR35 enquiry into the tax affairs of Samantha Gymer of Hulleon Limited.

Samantha is an IT consultant, who works from home mostly, and whose father is qualified to act as a substitute for her.

The enquiry had been in progress since August 2001 and was assigned to Accounttax Consulting towards the end of 2003.

Spotlight on the regions



Julie Stewart was elected to the PCG board in May with a remit to help build a regional network of PCG clusters. Her initial strategy for increasing regional activity levels focuses upon co-hosted events and Real Life Meetings (RLMs).

Following the success of its Smarter Freelancing seminars, PCG initiated a programme of co-hosted seminars in the regions, the first of which took place in April this year. This mini-seminar for freelancers was hosted by new Affiliate member Baker Watkin in Stevenage, and drew an audience of over 30 people, including some non-members. Topics included "Marketing yourself and networking for better business" and "10 top tax tips." The consensus was that such events should be held regularly and were worth recommending to fellow freelancers. The next seminar will take place on Tuesday 3 August 2004.

An impromptu event for Heathrow Terminal Five contractors by PCG member Clive Palmer in May was also well attended and enthusiastically received. Simon Juden

presented an overview of PCG and Dave Smith of Accountax Consulting delivered his legendary talk about IR35 and Section 660A. One attendee wrote, "Thanks for the session on Wednesday; I found it extremely interesting and helpful." Some of the non-member attendees at these events have translated their votes into actions by joining PCG.

Julie will be closely involved in encouraging discussions with Affiliate members, clients, agents, accountants and other potential partners about co-hosting local networking events and seminars. The next co-hosted event will be on Wednesday 28 July and is being hosted by accounting firm Wilkins Kennedy in Egham. The topics to be covered include marketing, networking for better business and taxation matters.

Ajmal Zia, a subsea process engineer who organises the Aberdeen meetings, knows from experience that regional meetings work best when there is a formal agenda. "Aberdeen RLMs have always been more of a knowledge and information sharing event than a drinking session. We always provide handouts and copies of Freelancing Matters, and we discuss recent IR35 cases, for example. When we co-hosted an event with Accountax in November, over 115 people turned up."

"PCG's strength has been as a virtual organisation," explains Julie, "and now we are extending our influence within the freelance and micro-business communities by engaging with people face-to-face, delivering a series of expert, practical, authoritative and thought-provoking presentations through our regional seminar programme. So far, the response from attendees has been overwhelmingly positive, and I am confident that our approach will bring tangible benefits to our members, partners and prospective members."

Demand for seminars in specific locations is being monitored via an online survey in which PCG members and newsletter subscribers are regularly invited to participate.

Thames Valley shows the way

The Thames Valley RLM is one of PCG's most successful groups. It has enjoyed a potted history, starting in Wokingham before the focus of the original group shifted towards Farnborough. Simon Juden saw the gap in the Thames Valley area and instigated the Maidenhead meetings in mid 2002, and by early 2003, the RLM was well established. Charles Berger took over the organisation of it a few months later.

According to Charles, highlights have included a visit from Dave Smith of Accountax Consulting in August 2003, when he talked about IR35 and other taxation matters, and a presentation by Diana Watson of Bespoke Marketing & Consulting about Marketing for Contractors. "Having a topical presentation at both these meetings resulted in bumper turnouts of over 20 people at each," says Charles, "whereas normally we would expect between six and 12 people."

The RLM meets every four to six weeks. As the organiser, Charles posts the date, time and venue details on the RLM forum,

including a link to the location map. These postings are also publicised in the weekly newsletter for the benefit of those who do not visit the RLM forum.



Thames Valley RLM at Hope Tap, Reading.

Charles believes that the key to the Thames Valley RLM's success is that it meets regularly and tries to invite guest speakers, every so often, to focus on specific topics, such as S660A or the Budget review. Location is also a factor. "As we cover a reasonably wide area, we try to rotate the

venues to mitigate the travelling for a subset of the group each time," he says. "Typically, we meet in Maidenhead or Reading, or occasionally in Marlow."

For those PCG members who live in the area but have not yet attended an RLM, Charles has several good reasons why they should try it. "You get to meet other freelancers in a relaxed, informal setting," he says, "people like you who face the same issues that you face. You have the opportunity to share your ideas and experiences with your peers, and you benefit from having inside or advance information about what PCG is doing. You meet potential business and collaboration partners, and you have the chance to provide PCG with feedback about what it can do for you."

"Not only that," he adds, "but you can submit your requests for presentations on specific topics, and depending on demand, we can probably arrange a talk on more or less anything."

Highlights of annual membership survey

The annual membership and satisfaction survey commissioned by PCG in May has provided a wealth of useful information. Member feedback is extremely important to PCG's management team in achieving its objective to continue improving member services and to ensure effective lobbying.

The survey attracted responses from 729 members, giving a healthy sample size of nearly 7% of the total membership. Here we highlight a few of the findings:

- ◆ 81% of respondents were in contract, compared to 77% of respondents to the June 2003 survey.
- ◆ 77% expected their business turnover to increase or stay the same for the next 12 months, but 70% also thought that their profit would stay the same or decrease. On a more positive note, 49% thought that their new business opportunities would increase in the next 12 months.
- ◆ Just 11% of respondents procured all of their work through agencies. Interestingly, very few respondents found all their work through a single source, tending to rely instead on a variety of acquisition methods, including referrals, renewals from existing clients, agencies, direct marketing and their own websites.
- ◆ Respondents were accustomed to seeking advice from different sources, with accountants, fellow freelancers, PCG forums and fellow PCG members being the favourites. Banks, business advisers and suppliers fared less well.
- ◆ Taxation and changes in legislation were the issues that most concerned respondents, followed by the problems associated with finding new business, the economic environment, updating skills and marketing oneself. In terms of specific concerns, IR35 and Section 660A topped the league.
- ◆ PCG's initiatives have won the approval of most respondents; 66% said that they were very satisfied or extremely satisfied with its record on campaigning for freelancers' legal and taxation rights. Its track record in promoting the value of the freelancing community to the Government and establishing PCG at the heart of the freelance community also won strong approval.

As one respondent summarised, "The PCG now feels like a broad-based, effective, collaborative and professional organisation. It also seems to have a genuine influence on decision-making by government. The PCG also provides useful, relevant business advice which helps me and my company."

The most highly-rated member benefits were PCG's IR35 analysis and manuals, and Guide to Freelancing, followed by standard contract templates, S660A analysis and manuals, insurances and helplines.

"The PCG now feels like a broad-based, effective, collaborative and professional organisation. It also seems to have a genuine influence on decision-making by government. The PCG also provides useful, relevant business advice which helps me and my company."

"This survey has highlighted some very interesting trends for us," said PCG chairman Simon Juden, "notably that more people are in contract, and that around half the respondents were quite bullish about their prospects for 2004."

"The fact that taxation and legislative changes were the two issues uppermost in respondents' minds when we asked about major concerns in terms of running their businesses shows the importance of PCG's lobbying and case law work," he continued. "The small business community is crying out for simplification, fairness, clarity and certainty in the tax system; it is surely a fundamental tenet of the self-assessment regime that calculating an accurate tax bill should be a straightforward process for the average individual or business. Having to worry about whether some arcane tax law might be dredged up to justify reassessing your liability over six years is hardly an encouraging prospect for a budding entrepreneur."

"I would like to thank all those who took part in this survey," said Simon. "I can assure them that this was an extremely valuable exercise, and that all the comments and opinions expressed in the free text sections have been read with great interest."

Who are PCG's members?

PCG members are, in the main, long-term freelancers. 40% have been freelancing between four and five years, and 35% have been freelancing between five and ten years.

They are well qualified too, with 62% having a bachelor's degree or equivalent, 16% with a master's degree or equivalent, 32% having a professional qualification and 31% with a technical qualification.

With the majority of PCG's members being over 35, they have an abundance of experience to offer. 40% are between 35 and 44 years' old, and a further 46% are over 44.

The membership is predominantly male at present, an imbalance which PCG hopes to influence, over time, through its recruiting activities and campaigning. Around 38% of respondents operate in the IT sector, 16% in the financial sector, 8% in electronics and engineering, 7% in oil and gas, 6% in interim management or management consulting and 5% in telecommunications.

Several are also members of other organisations, including the British Computer Society (BCS), the Federation of Small Businesses (FSB), the Institute of Electrical Engineers (IEE), various Chambers of Commerce, the Institute of Directors (IoD), the Institute of Mechanical Engineers (IMechE), the Chartered Institute of Management Accountants (CIMA), the UK Web Design Association (UKWDA), the Institute of Chartered Accountants in England and Wales (ICAEW), the Institute of Management Consultants (IMC), the Institute of Chemical Engineers (IChemE), and the Chartered Institute of Marketing (CIM). This clearly demonstrates the extent to which members now recognise the value of networking.

PCG membership

Freelance contractors may join PCG as full members, for an annual fee of just £120 plus VAT for single fee earners, and £180 plus VAT for companies with more than one fee earner. This buys professional expenses insurance, access to free tax and legal help lines, IR35 analysis and manuals, standard contract templates, access to a wealth of technical and commercial advice via the forums, and a comprehensive range of member services and preferential rates from suppliers. Please apply via the website at www.pcg.org.uk/join.html.

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. Affiliates may publicise their businesses on the website and communicate with members using the online discussion forums.

There when you need it.

When ill health strikes, having private medical insurance can help put you in control of your treatment so that you can:

- Choose when you want to be treated
- Choose which hospital you want to be treated in
- Choose which consultant you want to treat you.

The benefits of private medical insurance from Standard Life Healthcare include:

- Full refund for hospital treatment
- A wide range of healthcare plans and levels of cover to suit your needs
- Award-winning customer service.

For many freelancers, private medical insurance makes a lot of sense. The quicker treatment times that private care offers can help you avoid lengthy layoffs due to illnesses or injuries. In conjunction with Paul Banks and his team at Inter-Alliance, PCG has negotiated a discounted Private Medical Insurance proposition with Standard Life for all its members.

To find out more, visit the Member Services area of the PCG website, click on 'Insurance Services' and then 'Private Medical Insurance'. From there you will be able to access all the information that you need, along with PCG Member Application Forms and product brochures. Alternatively, you can obtain independent advice on this and a wide range of other financial issues by contacting Paul Banks on e-mail at pcg@inter-alliance.com



Health Insurance Awards 2001 & 2002

- ✓ Health Insurance Company of the Year
- ✓ Best Individual PMI Provider
- ✓ Best Customer Service



INTER-ALLIANCE

INDEPENDENT FINANCIAL ADVISERS

Inter-Alliance Group PLC is authorised and regulated by the Financial Services Authority.



STANDARD LIFE HEALTHCARE

Collective voice for the freelance community

The package of benefits bundled within full membership of PCG is calculated to be worth around £975 if purchased independently by an individual. This includes Professional Expenses Insurance, which would cost about £288, standard contract templates at around £300 and access to tax and legal helplines potentially saving £238.

For many of the PCG members who responded to the annual survey, the inbuilt insurance is just one of the benefits considered to be highly valuable, and there were other compelling reasons for joining and staying with the organisation. A selection of the responses, all of which are anonymous, is reproduced here.

Why did you join PCG?

IR35, but it's progressed since then. And I'm very happy about the direction PCG has moved in. Very proud to be a member of such an innovative, professional organisation.

I believe in the value of the freelance community to the UK and believe it is the best avenue for me to develop a business. PCG provides essential support to both new and experienced freelancers.

To be able to read unbiased material / analysis of matters affecting my ability to operate successfully and profitably as a small freelancing business.

Have you ever been adrift in a small boat? It is comforting to know that the PCG is the catalyst that draws the freelancing community together and champions their rights.

"It was the only 'body' that I believed would truly represent me and was a source of unbiased information."

For the expertise on freelancing, taxation, VAT and running a business which get in the way of providing professional consultancy to a client. Source of reliable advice and support as a freelancer. With PCG I have a collective of experts who can help me on a daily basis.

It was the only 'body' that I believed would truly represent me and was a source of unbiased information.

To learn about other people's experiences in the world of freelancing and knowing that we are not alone in trying to earn an honest living.

For discounts on PII and other business insurance. The savings exceeded the cost of membership.

Knowledge, advice, insurance.

In the first instance to learn about IR35 and then how to avoid it if possible. Now I value the extras such as insurance and the access to forums.

The advantages of collective solidarity and member benefits, especially insurance.

For the insurance discounts. As an IT consultant, PI insurance premiums would have been so high otherwise that my business might never have got off the ground. A thousand thanks.

Please tell us what you like about PCG?

A unified voice for the freelance community. Competent, concise, expert advice. Discounts and services tailored to freelancers' needs.

Gives a voice to the small business community.

Meets the needs of people working on a freelance basis, addressing relevant issues and providing support and access to professional services that would otherwise be difficult to find.

PCG must be congratulated for making the minefield of IR35 about as understandable as is possible, and providing an expert source of advice on how to deal with it.

It is an excellent source of information about legislation that affects my business.

It is professional without being snooty.

Positive attitude to working with the Government and civil service. Some would rather have a confrontation, but that doesn't help to improve things for the membership.

Does exactly what a co-operative should do. Excellent people, good information and worth every penny.

It's a one-stop-shop for information, help and advice for the freelancing community. It has a collective voice, which is more powerful than individual voices.

"Does exactly what a co-operative should do. Excellent people, good information and worth every penny."

The forums, the sense of community on the forums in particular. Also the sheer wealth of information gathered for the membership by the few who hold the reins.

The camaraderie and help to be found on the forums, including the fact that generally, we seem to be able to discuss our disagreements in a civilised and constructive manner.

Professional, enthusiastic, committed. It appears to be the only enterprise on the planet keeping me informed about developments affecting me and my work. In particular, I appreciate the hard work you do on IR35 and S660A.

Has brought focus to the contracting community. Has given us a voice. Uniqueness and wide range of subject understanding that is relevant to my business - haven't found that anywhere else. Excellent website and lively forum.

Having only been a member for a very short time, I'm nonetheless impressed with the depth of information available on the website, and the organisation's willingness to take on legislative bodies in defence of the ordinary freelancer / contractor.

Have you credit-checked your agency or client?

Three out of ten agencies may represent a poor credit risk to freelancers who use their services, according to a survey carried out by PCG.

PCG used online credit checking agency, checkSURE, to obtain credit reports on over 20 agencies. A checkSURE report is based upon three years' financial statements and any outstanding county court judgements. It provides a credit score, indicating the likelihood of ceasing to trade, and a recommended credit limit.

Many agencies now require monthly invoicing, so an acceptable credit limit is one month's fees. For a freelancer billing £30 an hour, this

equates to about £5,000, the value therefore set as an acceptance criterion. A second test was that an agency should have no more than double the average risk of ceasing to trade within 12 months. On this basis, 71% of the agencies in the survey passed the credit check but, worryingly, 29% failed.

According to PCG director Chris Woollacott, freelancers should conduct a credit check on any agency or client before doing business with them. If their credit score or recommended credit limit is low, it is advisable to negotiate more frequent payment terms to reduce exposure to credit risk.

checkSURE offers full online company reports for £9.95 plus VAT per company. For further information see www.checksure.biz



Focus on networking

Many of the delegates attending PCG's Smarter Freelancing seminars and various co-hosted events earlier this year wanted to know more about networking for better business.

PCG itself has a role to play as a networking group, and its activities complement those of other networking organisations in the UK.

Word-of-mouth or referral marketing can be a wonderful source of new business, particularly for small companies, and listed here, in alphabetical order, are details of some of the better-known networking organisations. Each has its own *modus operandi*, and may differ between chapters or branches. Before deciding which to join, it is a good idea to attend a couple of meetings as a guest.

Business Networking International (BNI)

An international organisation with over 2,700 chapters worldwide. Weekly breakfast meetings must be attended or a substitute sent, and members are required to bring referrals and/or visitors. Joining fee £80 and annual subscription £320, plus weekly meeting fees. www.bni-europe.com

Business Referral Exchange (BRE)

A UK contact network of trade and professional people who meet weekly and whose aim is to generate qualified business leads for each other. Members are encouraged to bring visitors and expected to provide referrals. Joining fee £100 and annual membership fee of £250 plus weekly meeting fees. www.brenet.co.uk

Chamber of Commerce

A national network of quality-accredited chambers that host various networking events and allow members to promote their businesses on the local Chamber websites. Membership fees vary, but expect to pay around £130 as a sole trader, plus charges for specific events. www.chamberonline.co.uk

Ecademy

Primarily an online networking portal, Ecademy's stated aim is "to build the world's largest Trusted Business Network by connecting people to one another - enabling knowledge, contacts and opportunities to be shared for World Wide Wealth." Membership is free, with the option to upgrade to the Power Networker category for £100. www.ecademy.com

Institute of Directors (IoD)

A non party-political organisation founded by Royal Charter in 1903, the IoD has around

55,000 members whose views it represents. It provides support for the professional development of directors, and hosts regular seminars and events in 13 regions around the country. One-time election fee of £200 and annual membership fee of £240.

www.iod.co.uk

Refer-on

UK business referral organisation offering networking opportunities through weekly meeting and various formal and social gatherings and functions. Operates in London and the South East, North of England and Scotland. Joining fee £130 and annual fee of £295. www.refer-on.com

Rotary

A worldwide organisation of business and professional leaders whose aim is to provide humanitarian service, encourage high ethical standards in all vocations, and help build goodwill and peace in the world. Networking for business purposes is a by-product rather than a primary aim of membership, which is strictly by invitation. Members are expected to commit to weekly meetings and project participation. Average subscription around £75 plus cost of weekly meeting. www.rotary.org

Other organisations worth investigating are: Aurora Women's Network at www.busygirl.com Lions Club at www.lions.org.uk Toastmasters at www.toastmasters.org Wired Berkshire at www.wiredberkshire.com

Prices are quoted exclusive of VAT, for indicative purposes only. Please check with the organisations concerned for accurate pricing information.

Beyond referrals



Self-employed sports injury therapist Maggie Allen has over eight years'

experience in assessing and treating sports injuries and low back pain. A keen athlete, her aim is to provide her clients with safe, effective, holistic and scientific treatment that encourages them to take an active role in their healthcare.

Maggie is passionate about her BNI membership, and her investment in networking extends way beyond the weekly breakfast meetings. "It's not so much about getting business referrals and income for myself," she says, "nor is it about doing the bare minimum to get by. I find the group very motivating, and have thoroughly enjoyed getting to know about and promoting their businesses. We are all in the same boat, professional people trying to grow our enterprises, and we look out for each other."

Maggie found the Networking Skills workshop that she attended earlier this year very positive. "It was truly inspiring," she enthuses, "and I have learned to think outside the group and acquire the confidence to expand my networking activities into other areas. I contacted some other local practitioners, and ended up developing a very good working

relationship with a chiropractor, which in turn led to my finding the ideal premises for my Notting Hill practice.

"For me, as a self-employed person, being able to exchange ideas and problems with like-minded people is a real boon," continues Maggie. "Most of the people in my BNI chapter are really sincere, and we have become good friends. If any of us were going through a hard patch, the others would rally to provide moral support and help."

Maggie admits that she did not like the early morning starts when she first joined BNI, but now she really looks forward to each meeting. "I belong to a team," she says, "and the whole is greater than the sum of the parts."

For further information see

www.maggiellen.com and www.bni-europe.com

Networking works



Fred Weil is a computer professional who has been contracting since January 1995. He was one of the first members

to join PCG back in 1999, and has been a BRE member for four years. His company, Info IQ, specialises in website development and e-commerce systems.

A fellow member at the St Albans chapter of BRE is Julian Gilbert, managing director of Wealth Matters, an independent financial consultancy. So impressed was he with work that Info IQ had undertaken for his two company websites that he commissioned their help with another, more personal, project.

Julian had invested in Gorse Cottage, a holiday home in the New Forest. With it, he inherited a substandard website, which was failing to

sell the property. The photo collection took 20 minutes to download - an instant turn off for prospective clients.

Armed with a simple brief to revamp the site to raise its profile and attract more business, Info IQ set about effecting the transformation. Photos were converted to easily downloadable formats, to enhance the visual experience. A simple content management system was implemented, which allowed Julian to update his site regularly and actively promote it to entice new visitors.

"BRE has been a very good source of business for me. Like any organisation of this type, it is only as good as the group to which you belong."

Phase two brought a new style, as well as detailed maps of the area and a useful links page. Phase three, planned for the autumn, will introduce a booking system that will accept credit card payments.

The new website soon brought in bookings from around the world, equating to over

£4,000 in revenue, and Julian is delighted. "Info IQ is one of the best suppliers I have worked with; they have supplied me with three good working websites."

Fred, in turn, is very pleased with the amount of business that he generates through his networking activities. "BRE has been a very good source of business for me," he says. "Like any organisation of this type, it is only as good as the group to which you belong. To work properly, it requires commitment from all the members, and our committee keeps a very sharp look out for weak performers and those who don't attend regularly."

"The other benefit of BRE is the mutual support. If you are just starting out, there is a wealth of experience available for you to tap into. I use the printer, the printer consumables supplier, the marketing people and the business development people. This is not out of blind loyalty to the group - they are all good and competitive."

Introductions from an Institute of Directors (IoD) networking group have also resulted in two projects for Info IQ. "This is work that my company would not otherwise have known about," says Fred. "Networking works."

For further information see

www.infoiq.co.uk, www.gorsecottage.co.uk and www.brenet.co.uk

Smarter Freelancing seminars

During February and March 2004, PCG hosted a total of 14 Smarter Freelancing seminars at seven locations around the country. In order to gauge members' preferences with regard to locations and content, PCG had commissioned an online survey, the responses to which were used in planning these events.

The session on taxation was a resounding success, judging from the evaluation forms completed by delegates. Tax expert Dave Smith from Accountax Consulting, who has a formidable track record of winning 116 cases for PCG members to date, gave an authoritative and passionate presentation on IR35 and S660A.

"Thanks to all the speakers today - an excellent seminar and well-organised."

"The session on marketing gave me a real jolt."

"It's very useful to feel that you are not alone."

Also very well-received were the sessions on "How to market yourself to business and to agencies" and "Developing and reinventing yourself", prompting much debate about changes in the marketplace and the need for freelance consultants to develop soft skills and update their expertise and qualifications regularly.

78% of delegates were kind enough to complete and return their evaluation forms after the seminars, and these indicated that 22% of them were non-members, and 88% were freelancers, with another 5% thinking about becoming freelancers. Most had learned about the seminars from PCG's weekly newsletters and the website.

Not surprisingly, the London sessions attracted the most delegates, followed by Bristol, Swindon and Manchester. Overall, the

seminars attracted a very positive response from attendees, many of whom took the trouble to send their special thanks to individual presenters afterwards.

"I was impressed with all the presentations at the seminar, and will be putting the information obtained to good use over the coming weeks and months - including getting out more!"

Following the success of the Smarter Freelancing seminars, PCG has initiated a programme of co-hosted seminars in the regions.

An article about PCG's planned focus on the regions appears on page 14.

Do you want the advantages of a limited company without the headaches?

Are you caught by IR35?

Do you want to pay less tax?

Are you running your own limited company?

How can we help?

- ONE MONTH TRIAL COMPLETELY FREE
- We save you money
- We remove the burden of running a limited company
- We remove the hassle of IR35
- We can give you all the benefits of an employee whilst earning as a contractor
- Our service is different, efficient and affordable
- Our aim is to put as much of your hard-earned money back into your pocket

To take advantage of the **FREE TRIAL** please telephone 0800 1953750 or visit www.ics.me.uk



Independent Contractor Services

York House 76-78 Lancaster Road Morecambe Lancashire LA4 5QN



Forging links with complementary organisations

PCG's management team and senior advisers continue to forge relations with a range of complementary organisations in order to promote PCG and its aims, to devise mutually beneficial strategies for lobbying on matters of common interest and to act in concert where there is strength in numbers.

Regular contact is maintained with organisations as diverse as the Federation of Small Business (FSB), the Confederation of British Industry (CBI), the British Computer Society (BCS), all the main political parties and a range of specialist bodies.

BCS distributed copies of Freelancing Matters to its ICC and Consultants Specialist Groups, many of whom are freelance consultants. FSB has published several PCG articles in its magazine, Business Network, and the Institution of Electrical Engineers (IEE) included Simon Juden's article "Keeping it in the family" in its IEE Review magazine.

PCG enjoys friendly and co-operative relationships with Amicus, UNIFI and other trades union, and has co-operated with them

on issues such as offshoring, retraining and skills shortages. It also works closely with The Association of Technology Staffing Companies (ATSCo) and The Recruitment and Employment Confederation (REC), and last year agreed a standard contract with the former for use by its member agencies when placing freelance contractors.

"These relationships are very important to PCG and help ensure that we continue to be recognised as the representative voice of the professional consultant and contractor."

Xchangeteam is a leading interim agency for marketing professionals, and managing director Emma Brierley was a guest speaker at PCG's 2003 conference. PCG has in turn contributed editorial for Xchangeteam's newsletter, and recently provided a speaker for an evening seminar.

Russams GMS, an important interim agency covering all sectors, has become a good friend of PCG, exchanging newsletter editorial and details of project and job opportunities. Global portal Top-Consultant works with PCG to

share expertise and editorial, and promoted PCG's Budget 2004 coverage in its weekly newsletter, which is circulated to some 130,000 registered subscribers in the consulting sector.

PCG has provided speakers for several events, including at the Alliance of Business Consultants (ABC) and the Interim Management Association (IMA). PCG's chief operations officer John Thomas recently met with the chairman of the Institute of Interim Management (IIM), Taravat Taher-Zadeh, to discuss ways of working together to promote the value of freelancing.

Commenting on the team's work in this area, Simon Juden said, "These relationships are very important to PCG and help ensure that we continue to be recognised as the representative voice of the professional consultant and contractor. We are happy to share our considerable experience, expertise and knowledge about freelancing matters with our partners, and believe that we have much of value to offer in terms of up-to-date information. We intend to continue building existing relationships and welcome the opportunity of meeting new organisations, providing speakers for events and contributing editorial for newsletters and other publications."



ACCOUNTING FOR CONTRACTORS

A prompt, efficient and personalised service for contractors

- Company formation
- Umbrella option
- Short terms, First timers
- Financial planning
- Tax planning, Fixed fees

Contact Neil Graham
020 8922 9121

www.bergkaprowlewis.co.uk

Don't buy, lease or hire another vehicle before talking to us.

We offer the most competitive terms for the finance of new and used cars and vans for both business and personal users. We can also source vehicles of any manufacture on very attractive terms.

- Hire Purchase
- Personal Contract Purchase
- Personal Contract Hire
- Finance Lease
- Business Contract Hire
- Vehicle Sourcing

For the most competitive prices, call our sales team on
020 8736 5500

web: www.drivenleasing.com
email: sales@drivenleasing.com





Business advisers & tax specialists

- ✓ Experts in contractor services
- ✓ Proactive support
- ✓ IR35 reviews & advice
- ✓ An agreed up front fee

Free initial no-obligation meeting worth £100

Tel: **023 9248 4356**
Email: mc@morriscrocker.co.uk



The Computer Hardware & Software Store for Small Businesses

Servers - Desktops - Laptops - PDAs - Networking Equipment

Call **0870 872 0085**, email pcg@invincible.net
or visit <http://store.invincible.net/>

Special offers and discounts for PCG members.

Working from home: tax implications

If you operate from a home-based office, it is worth knowing about the tax implications.

Tax-deductible expenses

Tax relief is usually available on additional expenses incurred through working at home, such as phone charges, any additional insurance premium charged for business use of the home, and capital allowances on furniture and equipment purchased specifically for use in the business. You must, however, have the detailed records to support any claims, and cannot simply claim tax relief for a round-sum notional figure such as "use of home as office - £10 per week." If an expense relates only partly to your business, then the cost should be apportioned and you should keep some evidence to show that the apportionment is reasonable.

A dedicated office used for no other purpose will allow you to claim relief for a prorated part (usually by reference to floor area) of all the running costs of the house including mortgage interest (but not capital repayments

or endowment premiums), rent, insurance, repairs, council tax etc. Heating and lighting costs can be apportioned on the same basis, though usage may justify apportioning a larger amount to the office. If an office has been built specifically for the business, the interest on any loan taken to finance the building work should be deductible in full.

If "working from home" involves little more than setting papers out on a corner of the dining-room table, the costs which can reasonably be attributed to such use will be negligible. If a spare bedroom doubles as an office during the week and guest accommodation at weekends, then the whole-house costs need first to be apportioned on the basis of floor area, and then the part attributable to the room should be apportioned by reference to the time it is used for domestic or business purposes.

Licence agreement

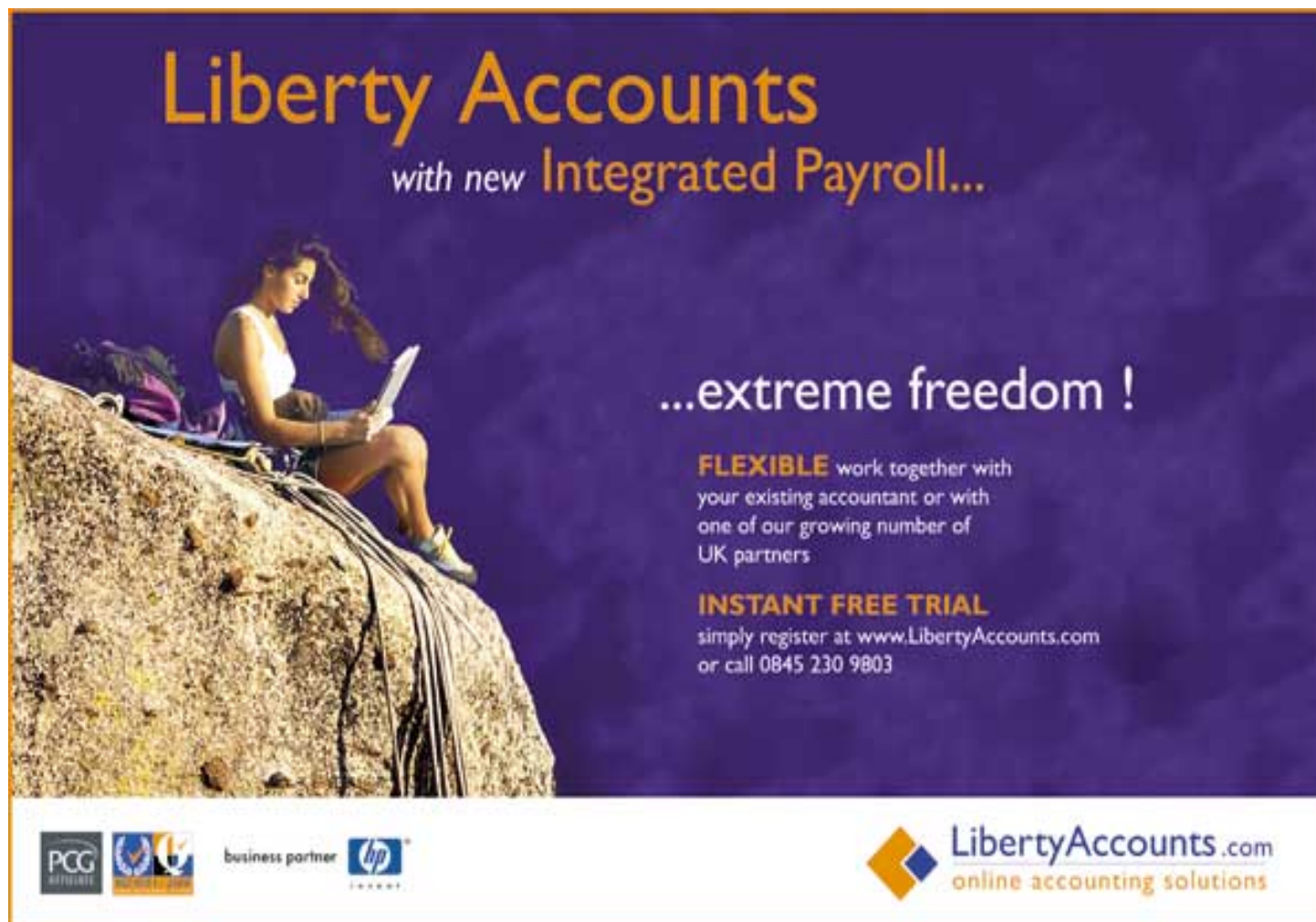
If you are an employee, you can claim tax relief only if the expenditure is incurred "necessarily" and "in the performance of your duties" thus usually excluding tax relief for

any part of general running costs of the house. You could grant a licence over a part of your home to your employer for use in the business and then charge a reasonable rent that reflects only the apportioned costs, perhaps with a modest addition for the use of furniture. A rental that appears unreasonable might be challenged by the Revenue as disguised remuneration. The rent received will be taxable on you, but you can deduct the costs of providing the accommodation to your "tenant", the net effect being that you receive tax relief on the apportioned part of the general household expenses.

Other tax-related considerations to be borne in mind are capital gains tax and travel expenses, both of which are covered in an unabridged version of this article entitled "Doing your homework", which is available at www.pcg.org.uk/resources

Neil Graham is a partner at Berg Kaprow Lewis LLP and PCG's finance director. This note is furnished for general guidance only and professional advice should be sought regarding your own circumstances.

For further information see www.bergkaprowlewis.co.uk






Liberty Accounts
with new **Integrated Payroll...**

...extreme freedom !

FLEXIBLE work together with your existing accountant or with one of our growing number of UK partners

INSTANT FREE TRIAL
simply register at www.LibertyAccounts.com
or call 0845 230 9803

PCG  business partner 

 **LibertyAccounts.com**
online accounting solutions

Financing your car



One of the more difficult decisions facing any individual, sole trader or small business is the purchase of a new car. Apart from choosing the vehicle, one needs to consider the best method of acquisition in terms of tax allowances, VAT implications, accounting issues and cash flow.

Cash Purchase or Bank Loan

Accounting Treatment. The car is capitalised in the balance sheet and an annual charge for depreciation is deducted as an expense in the profit and loss (P&L) account, reducing the balance sheet value of the asset. The depreciation charge is calculated in accordance with accounting standards, based on the useful economic life of the asset and residual value.

Tax Treatment. Depreciation is not allowed for tax purposes, but capital allowances are available, usually in the form of a writing down allowance of 25% on the tax written down value. Where the car costs over £12,000, the annual allowance is restricted to a maximum of £3,000.

VAT. VAT on cars is recoverable only in very rare circumstances.

Hire Purchase

This method is very popular, because it is so simple. You pay a small deposit or use the value of your existing vehicle as part exchange, and the remaining balance plus interest in equal instalments over a period of between one and five years. To change your car during the repayment period, you can pay the settlement figure furnished by the finance company to take title of the vehicle, so that you can enter a new agreement for a different vehicle.

Features. Option to purchase. Low initial outlay. Flexible repayment. No interest rate risk.

Accounting Treatment (for businesses)

The car is capitalised in the balance sheet, and depreciated annually. The obligation to pay future instalments is recorded as a liability in the balance sheet. Repayments are apportioned between a finance charge and a reduction of the outstanding liability. The total finance charge is allocated to the accounting periods during the HP term and shown as a P&L expense.

Tax treatment. Depreciation is not allowed for tax purposes, but capital allowances are available. The finance charge is normally allowable against tax.

VAT. Most businesses will not be able to reclaim any VAT.

Finance Lease

A finance lease typically has a primary period for a fixed period at full cost, followed by a secondary period usually of an indefinite length, at a very low cost.

Accounting Treatment. As for Hire Purchase, with the finance charge being allocated to accounting periods during the primary lease term.

Tax Treatment. Where accounts have been prepared in accordance with accounting standards, the accounting treatment will be acceptable for tax purposes. Where they have not, for tax purposes the rentals are deductible in computing profits under the accrual concept. The rentals are, therefore, allocated over the period of the lease. Where the car has an acquisition cost of £12,000 or over, there is a restriction on the amount of rental payments allowed for tax purposes. Capital allowances are not available.

VAT. VAT charged by the finance company will be payable with the initial instalment and each subsequent rental. Special rules apply to cars financed this way and most businesses will be able to recover 50% of the VAT.

Personal Contract Purchase (PCP)

For individuals, PCP is the fastest growing acquisition method because it allows drivers to change their vehicles more often. A small initial deposit or advance rental is paid, a pre-determined estimated value is the deferred 'guaranteed future minimum value' (GFMV) and the resulting balance is repaid over between one and four years in equal instalments plus interest.

At the end of the agreement period, the GFMV can be paid as follows:

1. Pay the GFMV and take ownership of the vehicle.
2. If the vehicle is worth more than the GFMV then the difference may be used to buy a new vehicle and pay all or part of the deposit / advance rental.
3. If the vehicle is worth less than the GFMV, the vehicle can be returned to the finance company and a new vehicle can be purchased.

Features. Low deposit. Low monthly payment. No interest rate risk. Accounting and Tax Treatment. Same as Hire Purchase. Note: For drivers receiving a car allowance from their employers, the initial payment can be substantially reduced.

Contract Hire

Popular with businesses, this is now available to private motorists. Use of the vehicle is obtained by paying an advanced rental ranging from one to six months, dependent on status, and the remaining rentals paid in equal amounts over a one to four-year period, after which the vehicle is simply handed back.

Features. Use of car, no ownership. Low initial outlay. Flexible rental pattern. Off balance sheet borrowing. Fixed budgeting. No disposal or depreciation risk.

Accounting Treatment. The car is not capitalised; rentals for the lease term are charged to the P&L.

Tax Treatment. Where the car costs over £12,000 there is a restriction for the amount of rental payments allowed for tax purposes. Capital allowances not available.

VAT. Each rental attracts VAT, so that the VAT cost is spread across the period of the agreement. Only 50% of VAT on rentals can be reclaimed; any maintenance that attracts VAT can be reclaimed in full.

Personal Contract Hire

This as the name suggests is essentially the same as contract hire but for private individuals.

Features. Use of car, no ownership. Low initial outlay (suitable for company car opt outs). Flexible rental pattern. Fixed budgeting. No interest rate on residual value risk. Maintenance packages available if required.

VAT. VAT is included within the monthly payment but is not reclaimable by private individuals.

Personal loans are another finance option to consider. The decision whether to finance through the business or in one's personal name should take your specific circumstances into account, so it is best to seek professional advice.

*Bill Honeyball is the managing director of Driven Leasing & Finance Ltd.
See www.drivenleasing.com*

*Accounting and tax treatment details were provided by James Abbott of Baker Watkin.
See www.bakerwatkin.co.uk*

Budget 2004:

Tax treatment of small companies

The Finance Bill 2004 incorporates provisions for a new rate of corporation tax, officially called "the non-corporate distribution rate", which is the minimum rate that must be paid by a company on that part of its profits for the year that it pays as a cash dividend in the same period.

This will affect small companies paying dividends on or after 1 April 2004 to non-corporate shareholders if the underlying rate of corporation tax is less than the "non-corporate distribution rate" prevailing at that time. The rate is set in the Finance Bill at 19%, which is the same as the rate of corporation tax applicable to those companies whose taxable profits are between £50,000 and £300,000 and thus denies the 0% rate on distributed profits.

If the distribution is made out of accumulated profits, because the available basic profits in the year in which it made are insufficient, the excess of the non-corporate distribution (NCD) above the profits chargeable to corporation tax for the period, if any, will be carried forward and treated as an NCD of the next accounting period.

This arrangement appears to penalise those businesses that have exercised prudence in the past by retaining profits if they then pay a dividend in an accounting period in which their profits are chargeable at a rate which is less than 19%.

Businesses in danger of being caught by these new rules would be well advised to seek professional advice before making any dividend payment to avoid a penalty which could be as much as £1,900.

In fact, the major impact of this new rate is felt where profits chargeable are very low; where profits are greater, say, £40,000 the impact may be as little as £118.75 on each £10,000 of dividend paid.

Scenario 1

If your company pays corporation tax at an underlying rate of less than 19% and you make a distribution, that is, pay a dividend to someone other than a company then this new rate is likely to apply.

Glossary

CT: Corporation Tax

PCTCT: profits chargeable to corporation tax

NCD: non-corporate distributions

Example 1a

Assume that PCTCT for an accounting period are £8,000. These profits are distributed by way of a dividend to individuals. The tax computation would be:

PCTCT	£8,000 @ 0%	=	£0.00
Corporation Tax due		=	£0.00
The underlying rate:			
(tax/PCTCT x 100)	0.00/8,000 x 100	=	0%
Non corporate distribution	£8,000 @ 19%	=	£1,520.00
Remaining PCTCT			NIL
Total CT due		=	£1,520.00

Example 1b

Assume that PCTCT are £40,000. The sum of distributions made in the accounting period was £35,000 of which £10,000 were made to a company. The tax computation would be:

PCTCT	£40,000 @ 19%	=	£7,600.00
Less : Marginal Relief			
(£50,000 - 40,000 x 19/400)		=	£475.00
Corporation Tax due on basic profits		=	£7,125.00
The underlying rate is 7,125.00/40,000 x 100		=	17.81%
Non corporate distribution £25,000 @ 19%		=	£4,750.00
Remaining PCTCT £15,000 @ 17.81%		=	£2,671.50
Total CT due		=	£7,421.50

Scenario 2

The new rate applies when distributions are made to non company shareholders on or after 1 April 2004. Where an accounting period begins before 1 April 2004 and ends on or after that date the profits are apportioned.

Example 2:

The company's accounting period encompasses the year to 30 June 2004
PCTCT for accounting period = £40,000

Distributions:

£15,000 on 1 November 2003

(this does not come into the calculation of the NCD as before 1 April 2004)

£20,000 on 1 May 2004 of which

20% (£4,000) to a company (NCD will not apply to that part)

80% (£16,000) to individuals (new rate will apply)

Time apportion PCTCT to pre and post 1 April accounting periods

£40,000 x 275/366 = £30,055 pre 1 April 2004

£40,000 x 91/366 = £9,945 post 1 April 2004

(only post 1 April 2004 profits fall to be considered for NCD)

Distributions (£20,000) exceed basic PCTCT of the relevant part of the accounting period (£9,945)

Proportion of PCTCT which can be matched is £9,945 x 80%

(NCDs as a percentage of total relevant distributions) £7,956

Underlying rate of CT for the accounting is 17.81% (see working 1)

Working 1

£40,000 @ 19%		=	7,600
Less : Marginal relief	50,000-40,000 x 19/400	=	475
CT on profits		=	7,125
Underlying Rate :	7,125/40,000 x 100	=	17.81%
The total tax for the accounting period is therefore:			
NCD applies to	£7,956 @ 19%	=	1,511.64
Remaining PCTCT at underlying rate			
	£32,044 @ 17.81 %	=	5,707.04
Total CT Due		=	7,218.68
Excess NCDs to be carried forward to next AP is			
£16,000 - £7956.00 (matched this accounting period)		=	£8,044.00

The worked examples are reproduced, with permission, from the Inland Revenue website.

The Finance Bill 2004 has not yet received Royal Assent which must be given by 5 August 2004, but is expected around 22 July 2004.

The detailed implementation of these provisions may yet be amended.

For further information, see

www.inlandrevenue.gov.uk/budget2004/qanda.htm

Is buy-to-let still 'as safe as houses'?

Following the last few Bank of England base rate rises, even the most determined buy-to-let investor is finding it hard to make future property purchases add up. The few places where you can still make a decent return on your investment are rare. Investors with large property portfolios are finding the cost of borrowing is crippling their investment yields.

A client recently wanted to purchase a one-bedroom flat for £139,000. The minimum deposit was £20,850 and the remaining £118,150 was borrowed at a rate of 5.49% resulting in monthly expenses of:

Mortgage payment	£540
Service charge	£41
Property management charge	£72
Total	£653

Maximum monthly rental income in the area is £700, leaving a profit of just £47. The client is a higher rate taxpayer so suffers further tax of £18.80 on the profit, bringing the net yield to £338.40 per annum or 1.6% of his investment of £20,850.

Purchase costs are:	
Mortgage arrangement fee	£249
Valuation fee	£250
Stamp duty at 1%	£1,390
Legal costs	around £650
Total	£2,539
(12.2% of the initial investment)	

Despite the risk of the property not always being let, many investors are ignoring mounting opinion that the residential property market is nearing its peak. Some economists are predicting a correction of up to 30% in property values (source - BBC Online, Business section, 29 June 2004). The Council of Mortgage Lenders is warning of further base rate rises, and very soon investors could be looking at a negative return.

Driving the desire to retain property investments is that many people are 'equity phobic', having experienced losses on their pensions or investments throughout the worst bear market since the depression of the 1930s. Given the economists' predictions of possible property over inflation, and the fact that the UK stock market is up nearly 15% on this time last year, (Lipper - fund researcher, 2004) is the buy-to-let market really "as safe as houses"?

Many people follow recent market trends and hope for the best rather than taking advice. If a UK investor had invested £100,000 in June 1999 in to the Artemis UK Smaller companies Unit Trust fund, this would now worth in the region of £368,941. The initial charge on this investment, including the cost of advice, is 5% and the annual management charge, including monitoring costs, is only 1.5%.

Marlborough Special Situations might have returned £360,988, and the Rathbone Special Situation fund £253,790.96 over the same period. A well-advertised fund some years ago was the Jupiter UK Growth fund, which would have returned only £90,792.64 over the same five-year period.

Were the Artemis investment cashed in now, assuming all allowances had been used correctly for a married couple - both 40% taxpayers - the net return to them could be as much as £175,200 sheltered from tax, their original £100,000 returned and the remaining £93,741.53 taxed at their marginal rate. Using taper relief, only 85% of the gain, or £79,680, would be taxable - about £31,872 in tax.

Other allowances and tax breaks should not be ignored. Each tax year, £7,000 can be sheltered from Income Tax and Capital Gains Tax (CGT) using a maxi ISA. There is also a CGT allowance, currently £8,200, as well as taper relief and offsetting losses. A couple could utilise over £30,000 worth of investment growth before paying tax, if managed correctly.

Many UK investors believe in buying and holding investments for the long term, no matter what. Would you buy a car for £20,850 and not take it to a garage or look under the bonnet for five to ten years, regardless of what warning lights came on?

Warnings: You should remember that past performance is not necessarily a guide to future returns. The value of investment is determined by the value of the units, the price of which can fall as well as rise. You may get back less than you originally invest, especially in the early years. Please note that it is not possible to guarantee that the rental income will cover the mortgage costs nor that the property will remain occupied for the duration of the mortgage.

Millfield Partnership Limited is authorised and regulated by the Financial Services Authority. Mortgages are not regulated by the Financial Services Authority. Anthony Caldwell and Danielle Fagot are independent financial advisers at Millfield Partnership Ltd, contact details below.

Millfield
PARTNERSHIP

Millfield Partnership Ltd
is one of the largest firms of
independent financial advisers in the UK.

It has more than 600 advisers in over 30 locations throughout the UK,
specialising in pensions, long-term care, protection, investments and mortgages

For Professional independent financial advice on:

Mortgages * Protection * Retirement Reviews & Planning * Savings & Investments

Contact: **Anthony Caldwell & Danielle Fagot**
Independent Financial Advisers

Suite 5, Wentworth Lodge, Great North Road, Welwyn Garden City, Hertfordshire, AL8 7SR

Telephone: 01707 392 601

E-mail: acaldwell@millfield-partnership.co.uk or dfagot@millfield-partnership.co.uk

Millfield Partnership Limited is authorised and regulated by the Financial Services Authority.
Mortgages are not regulated by the Financial Services Authority.

MoneyMarketing
Financial Services
Awards 2003

IFA OF
THE YEAR

We know that you're experienced, but are you qualified?

Many contractors are increasingly hearing this question when they attend interviews for project management roles. Unlike the late 1990s when there were not enough staff to fulfil demand, organisations have assumed the balance of power, being able to choose the best contractors whilst still keeping rates low. Even as the market picks up, there seems to be no reduction in the appetite for professionally qualified staff.

There are a number of project management qualifications available, all with their own structures, approaches and acronyms. The aim of this article is to guide you through the maze of acronyms and help you to select a route that is right for you.

PRINCE2

PRINCE2 was launched in 1996 by The Office of Government Commerce (OGC) in partnership with the APM Group, which has developed and managed the accreditation of PRINCE2. The APM Group was established in 1993 as the trading arm of the Association for Project Management and became an independent organisation in 2000. It has offices in The Netherlands and Australia and its exams have been taken in about 25 countries over the years. Since PRINCE2 was introduced in 1996, some 75,000 people have been trained.

PRINCE stands for PProjects IN Controlled Environments and is a structured method for effective project management which has become the UK's de facto standard for organising, managing and controlling projects. It is a generic, best-practice approach for the management of all types of projects and has a reputation for offering a highly-effective, process-based approach to structuring and organising project delivery.

PRINCE2 has been adopted as the method of choice by the Government, a large number of local authorities and by the National Health Service. Commercial organisations too are keen users of PRINCE2 and are often required to use it if they want to work with any government agencies.

There are two levels of PRINCE2 qualification. Foundation level indicates to employers that you have knowledge of the structure and terminology of the method. Practitioner level indicates that you have understanding of the method and how to apply it to different project situations. The examinations are open to all and are recognised by UKAS, the UK Accreditation Service.

PMI

The Project Management Institute was founded in 1969 in the United States. It has developed a Member Code of Ethics for those involved in project management, and administers project management training and certification. The Institute claims a membership of more than 80,000 in 125 countries, covering different professions including IT, and aims to provide a controlled, integrated approach to project management through the certification, education, research, awards, publications and professional standards that it administers.

The PMI methodology is contained in its publication "A Guide to the Project Management Body of Knowledge" (PMBOK). The PMBOK splits project management into five Process Groups and nine Knowledge Areas. The Process Groups cover initiating, planning, executing, controlling and closing a project. The Knowledge Areas describe the additional skills that project managers need to help them to manage a specific project. These include cost management, quality management and procurement management.

The key qualification offered by PMI is the Project Management Professional (PMP) certification. To achieve this level of certification, candidates must possess educational qualifications, have at least three years' experience and pass a four-hour, 200-question examination.

PMI has also introduced the Certified Associate in Project Management (CAPM) qualification for aspiring project managers or those in other roles. CAPM candidates must first meet specific education and experience requirements and then pass an examination.

APM Body of Knowledge

The Association for Project Management focuses on the UK and Europe and is the largest independent professional body of its kind in Europe. It has over 13,500 individual and 240

corporate members throughout the UK and abroad. APM's focus is to promote and develop project management across all industries and sectors through activities including qualifications, accredited training, research, publications and events. The APM has 16 regional branches throughout the UK, Singapore and Hong Kong.

The qualifications offered by the APM are based around the APM Body of Knowledge that covers the 42 areas of knowledge required to manage any successful project. There are four levels of qualification.

The first level is the APM Introductory Certificate, designed for those wanting to understand the principles of project management excellence. The second level is the APMP, which demonstrates the fundamental knowledge of what is required to manage a successful project. It is a knowledge-based foundation level qualification enabling you to participate in projects ranging from individual assignments to large capital projects.

"Whilst nothing beats hard earned experience in managing and delivering IT projects, the end customer (whose money it often is) is not necessarily acronym literate. For these people, knowing that the person who is responsible for delivering this important piece of work is also (PRINCE2 or formally) qualified, is both important and confidence inspiring."

Derek Wreay, Managing Director, Wreay International

The third level is the APM Practitioner Qualification, for Project Managers, Project Co-ordinators and Team Leaders with more than three years' experience managing non-complex projects. Finally, the Practitioner Qualification is for any relatively experienced professionals looking to demonstrate their ability to manage projects successfully.

To assess the respective market demand for these qualifications, I undertook some informal research, using the Jobserve recruitment website.

My searches indicated that PRINCE2 was winning the marketing war in terms of project management certification in the UK. Searching for project management jobs generally and then applying AND: PRINCE2, PMI certification, APM certification showed that 20% of project manager roles requested PRINCE2 certification, 0.002% requested PMI certification and 0% requested APM certification.

Overall, all three qualifications mentioned are valuable, as certification will increase your marketability and develop respect for the skills associated with project management. Many people working in consulting environments who are not project managers would also benefit from a working knowledge of formal project management disciplines.

Melanie Franklin is the Managing Director of Maven Training Limited.

For further information see

www.maven-training.co.uk, www.apmgroup.co.uk, www.pmi.org, www.apm.org.uk and www.jobserve.co.uk

when IT comes to figures...

we speak your language



SHORTHOUSE+MARTIN
CERTIFIED PRACTISING ACCOUNTANTS

tel 01256 469768 fax 01256 844356
email accountants@shorthousemartin.co.uk
62-64 New Road Basingstoke Hampshire RG21 7PW



not all accountants are the same - www.shorthousemartin.co.uk

APOLOGY! !

Accountax is so sorry the Revenue is giving you a hard time on IR35, s660 and other tax matters. But the good news is ACCOUNTAX can help.

Most of our services are on a fixed fee basis and we have years of experience and success.

For an informal chat or second opinion contact Accountax on 01908 277377 or via email at mail@accountax-ltd.com

ACCOUNTAX - THE DIFFERENCE IS WE ENJOY OUR WORK

Pendragon
GLOBAL CONSULTING

Pendragon Global Consulting Ltd
pendragon 'glaubl kən'satɪŋ/ n. 1 information technology excellence and ingenuity. 2 the future of technology. 3 innovative approach incorporating knowledge, expertise and enthusiasm

the definition of success

Pendragon Global Consulting Ltd
Arnhem Court
Shepherdson
Boulevard
South Gloucestershire
BS32 1JG

Tel: 44 1454 450018
Fax: 44 1454 411219
Email: enquiries@pendragonglobal.com
Web: www.pendragon-cs.com/global_consulting

A member of the Pendragon corporate services group

MAVEN TRAINING

www.maventraining.co.uk

**ENHANCE YOUR CV WITH A
PROFESSIONAL PRINCE2 QUALIFICATION**

15% Discount for PCG Members

FOUNDATION AND PRACTITIONER COURSES HELD REGULARLY IN

☐ London ☐ Birmingham ☐ Manchester ☐ Edinburgh

Contact us for more information

Tel: 0207 403 8020

Email: info@maventraining.co.uk

www.maventraining.co.uk



Formed
in 1984

**DIRECT CONTRACT
ARRANGED BUT CLIENT
INFLEXIBLE ON IR35?**

IR35
Friendly

We can save you ££££s!



SQ COMPUTER PERSONNEL

1 Cresswell Park, Blackheath Village, London SE3 9RD

Tel: 020-8463 0555 Fax: 020-8463 0444

Email: bernie@sqcp.com Web: www.sqcp.com

BQI CONSULTING LIMITED
BUSINESS AND QUALITY IMPROVEMENT

Training and products to support freelancers, agencies and legal professionals interested in ISO9001:2000. Our Gap Analysis and Action Plan Template GAAP is a real bonus at just £99.99 plus VAT, less 20% for PCG members and Affiliates. Telephone 01236 422 304 Fax 0870 762 0943 contact@bqiconsulting.com www.bqiconsulting.com



**Specialists in placing
I.T. & Communications
Contract Professionals**

DP Connect Limited
Garrard House
2 Homesdale Road
Bromley, Kent, BR2 9QJ
T: 020 8466 5666, F: 020 8313 1716
E: jstevens@dpconnect.co.uk



www.dpconnect.co.uk

dp connect



**Montford
Print
Management**

Media Solutions@MPM Ltd.
Shepperton Studios,
Studios Road, Shepperton,
Middlesex TW17 0QD
Tel: 01932 593145
Fax: 01932 593430
Mobile: 07717 433683
Email: mediasolutions@montfordpm.co.uk

• A one to one service for all your print requirements.

• MPM assists PCG with their printing needs.

Please reply to Media Solutions @ MPM Ltd. quoting FMPCG.

Insurance protection for IT contractors, engineers and other professionals



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

We offer:

- Up to £3 million of Professional Indemnity Insurance
- £2 million of Public Liability insurance cover
- £10 million of Employers Liability insurance cover
- We also offer business equipment insurance
- Automatic online quotes are available for IT sector professionals
- Past years cover can be specially negotiated

Randell Dorling gives a bespoke personal service by telephone and a 48 hour document turnaround.

Randell Dorling Limited

52 Lime Street

London

EC3M 7NP

Telephone: (020) 7929 5454

Facsimile: (020) 7929 4626

Email: info@randelldorling.co.uk

On the web at: www.randelldorling.co.uk

