

Response by the Professional Contractors Group to the Consultation Paper “Small Business Taxes: A New Direction”

The Professional Contractors Group welcomes the general stance of the consultation paper 'Small Business taxes: A New Direction' but has some substantial reservations about the precise details of the proposals contained therein.

We welcome the fact that the Conservative Party acknowledges the significant contribution of small business to Britain's economy and the burdens placed on it by changes to taxation and regulation in recent years. We also welcome the general stance of the document that action should be taken.

The PCG is disappointed, however, with the 'either/or' approach of the proposals. We believe that the abolition of IR35 and a reversal of the Inland Revenue's current approach to S660A would be the best way, and likely the only adequate way, to relieve the major burdens recently imposed on those we represent. The paper implies that a future Conservative government may retain one or both of these, an approach which the PCG cannot endorse. We would welcome a firm commitment to change, particularly as the document suggests that the reversal of the current approach to settlements legislation would have no direct fiscal cost.

We also felt that while the paper's stating of the case against IR35 was very useful, it could go further still, and would be very pleased to see this argued more strongly in the future. We would welcome an explicit statement that it is so problematic because it has served to attack all manner of legitimate contractors in business on their own account, whose companies are categorically not the tax avoidance devices it was intended to tackle and that, by its enormous complexity, it undermines the principle of self-assessment.

Overall, we welcome the Conservatives' commitment to review and revise these taxes, but do not wish to have to choose between them. PCG's view is that a bad tax is a bad tax and neither we nor our members are willing to make a choice between the lesser of several evils.