

NEWSLETTER SPONSOR



Yet more bad news in the pre-budget report means that it's never been more important to make use of the few remaining tax breaks still available for Freelancers.

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Pre Budget Report 2009 - Summary

Throughout 2009 HMRC have released consultations and results of investigations that lead many of us to think that this year's Pre Budget could hold some surprises. This was always balanced by the fact that the Report is being delivered with a backdrop of a General Election just around the corner.

The Pre Budget Report has delivered no surprises or shocks and nothing that could be seen as directed at the temporary workers market - a pleasant surprise.

We have previously reported on a number of occasions the Government's drive to eradicate tax avoidance in the UK, this was supported by further announcements in this Pre Budget.

Whilst the issue of false self-employment was mentioned this was no more than a passing comment, confirming that it is still under review. Responses to the consultation will be released in the New Year followed by further discussion to find a legislative solution.

There was an announcement confirming a consultation in the New Year focussing in on Travel Expenses and The National Minimum Wage.

Income Shifting was not mentioned which must be seen as good news for all contractors operating through their own limited companies with a spouse as a shareholder.

There was no specific mention on expenses abuse although we will be watching further developments, as history has taught us that

some news follows these statements when the detail is provided.

New 50p High Rate of Tax Confirmed from April 2010

The Chancellor confirmed that the new 50p high rate of tax will apply to those with income over £150,000 and that the personal allowance will be gradually withdrawn for those earning over £100,000.

He also confirmed that for the tax year 2010/2011 basic and high rates of tax remain at 20% and 40% respectively.

The personal allowance and basic rate limit will also remain at their current levels.

All National Insurance thresholds and rates also remain at their current rates for 2010/2011.

Increase In National Insurance from 2011

The Chancellor announced a 0.5% increase in National Insurance for both employers and employees from April 2011.

If you currently work through an umbrella provider, a limited company operating the deemed payment, or on payroll provided by your recruitment company this will impact your net income.

Contractors operating through their own limited companies outside of IR35 and paying some of their income through dividends will be less affected, depending on the mix of salary and dividends, as dividends do not attract any National Insurance Contributions.

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Corporation Tax Rate Held

The Chancellor announced that the 21% Corporation Tax Rate, applicable to small businesses, will be maintained through the Tax Year 2010/2011; therefore further delaying by a year the planned 1% increase.

This will have no bearing on umbrella contractors or contractors operating inside IR35; it will be a small glint of good news for those contractors operating a limited company outside of IR35.

VAT Rate Change

The Chancellor confirmed that the standard rate for VAT would return to 17.5% on 1st January 2010.

There was wide spread expectation that the VAT rate could be increased although this failed to emerge.

If you are on the flat rate scheme these rates applied on your returns based on occupation class will also change for your returns submitted after 1st January 2010. The HMRC website will provide full details and guidance on how these should be applied.

Tax Avoidance

The Government announced that it will legislate to ensure that those who fail to declare offshore tax liabilities will face the same tough penalties as faced by tax evaders.

The detail was not included in the documentation although tax evasion penalties include the potential of a custodial sentence.

The Government also announced a new consultation on Disclosure of Tax Avoidance Schemes which on the surface appears to be looking to extend the amount and types of schemes that will require disclosure as well as increased penalties for non compliance.

Contractors Opt Out To Remain

BIS has confirmed that contractors will retain the ability to opt out of the Agency Regulations.

Their report; following up on a recent consultation, still expresses concerns that some low paid vulnerable workers may be disadvantaged by being forced to opt out; especially where those low paid vulnerable workers operate through umbrellas. They have confirmed that they will continue to review this situation and if evidence emerges they will take action.

In our experience, and supported by the response gained through the COP, many contractors are not aware of either the Conduct Regulations or their status; whether they have opted out or remain within the regulations. We have produced notes for our members with FAQ's to help your understanding and these are available through the **Professional Passport Contractors website**.



Have your say by
completing our C.O.P.

Please spare just two
minutes of your time to
complete the 35
questions.

Your views count and
will make a difference.

Useful Links

www.hmrc.gov.uk

www.icaew.co.uk

www.lawsociety.org.uk

www.shout99.com

www.contracteye.co.uk

Professional Passport on LinkedIn

Following feedback from our members we have set up The Professional Passport Network on LinkedIn.com. This will make it easier for you to keep up to date with the latest news and topical issues affecting the UK contracting market.

Join The Professional Passport Network Now

Agency Workers Directive

Professional Passport has responded to the consultation on the draft legislation in relation to the Agency Workers Directive.

We have raised a number of concerns with the current proposals.

The Agency Workers Directive is being put in place to protect vulnerable workers; although it does not provide a definition of a vulnerable worker. As a result there is a likelihood that many contractors could be inadvertently caught up in the rules.

The rules allow an exclusion for contractors who operate through their own limited company where the terms of the assignment fall outside of IR35. However, the way the rules are currently written could mean that many contractors would find themselves within the

terms of the Agency Workers Directive.

The consequence of being within the rules for contractors operating through their own limited companies is that they could be inadvertently caught by IR35.

We have suggested that any contractor operating through their own limited company should be outside the scope of the legislation.

We would like to thank those contractors who responded to the COP as the opinions expressed allowed us to present a strong case for change.

If you have not yet expressed your opinions time is running out as the COP will close soon. Please complete the survey.