



FEDERATION OF SMALL BUSINESSES

# BUDGET SUBMISSION 2004



TO THE CHANCELLOR OF THE EXCHEQUER  
THE RT HON GORDON BROWN MP

# ABOUT THE FSB

The Federation of Small Businesses (FSB) is the UK's largest lobby organisation representing the self-employed and owners of small businesses. Founded in 1974, it now has over 185,000 members across all industries, trades and services. It is a non-party political lobby group that exists to promote and protect the interests of all those who own and manage their own businesses.

FSB members together employ 1.25 million people and turnover £10 billion a year.



FEDERATION OF SMALL BUSINESSES

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# 1: EXECUTIVE SUMMARY

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## **KEY RECOMMENDATIONS: THE FSB CALLS FOR:**

### **I REDUCTION OF THE FINANCIAL BURDEN:**

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#### **NATIONAL INSURANCE**

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- the Chancellor to rescind the increases in National Insurance Contributions.
- the abolition of Class 4 National Insurance Contributions as a "tax impost".
- the reversal of the breach of cap in Class 1 and Class 4 National Insurance Contributions.
- the hypothecation of all National Insurance Contributions to provide benefits for the contributors and a commitment not to use the revenue as a general method of taxation.

#### **CAPITAL ALLOWANCES**

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- staged increases in capital allowances, initially increasing the general First Year Allowance from 40% to 50%.
- extension of any 100% First Year Allowance to include the purchase of machinery and personal protective equipment, including replacement equipment, intended to improve workplace health and safety.
- 100% First Year Allowance to be made available for investment in ensuring that business premises comply with the requirements of the Disability Discrimination Act.
- enhanced Capital Allowances to be made available for investment in waste management infrastructure.

#### **TRANSPORT**

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- the Chancellor to provide adequate funding for both road and rail, so that an effective integrated system of transportation is developed within the next decade.
- The FSB asks the Chancellor to reject revenue-raising schemes such as workplace parking charges and road tolling due to the additional, indiscriminate burden they place on small firms.
- a major reduction in pump prices by reducing fuel duty.
- the inflationary effects of price rises in producer fuel costs to be avoided by compensating adjustments to fuel duty.
- the Chancellor to extend his assurance that duty on non petroleum fuels will be maintained at their current level until 2010 and the prioritisation of further assistance to business conversion of vehicles to utilise non petroleum fuels.

#### **ENVIRONMENTAL TAXATION**

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- the Treasury to ensure that the design of environmental taxes addresses the issues directly, have carefully developed transition mechanisms and do not penalise small businesses.
- the repeal of the Climate Change Levy until it can be demonstrated that the Climate Change Levy delivers its environmental aims without disproportionately burdening small business.
- the repeal of the Aggregates Levy.
- a portfolio of options for revenue recycling of landfill tax increases back to business, should be developed, focussing on providing incentives and assisting business to shift to more sustainable waste practices.
- additional funding for the Envirowise project, which has the potential to genuinely assist small businesses to address waste minimisation, conditional on a review and further development of the Envirowise services to small businesses.

# 1: EXECUTIVE SUMMARY

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## 2 THE INFORMAL ECONOMY

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- the Chancellor to make an immediate and substantial increase in the level of personal allowances to £8,500 and, in future years, to increase the allowance by no less than the rate of growth in average earnings & to consider the transferability of Personal allowances between spouses.
- the simplification of the tax system, freeing resources to administer the tax system efficiently.
- the adequate resourcing of the Inland Revenue to ensure that the bureaucratic burden on small businesses is minimised.
- the minimisation or removal of the burden of new legislation on small businesses

## 3. MISMANAGEMENT OF THE UK TAX SYSTEM

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- for an end to the delivery of social policies through the employer payroll.
- Social policies of Government should not be delivered through the employer payroll
- State benefits and the collection of loan repayments to be administered by the experts
- FSB urges the Government to reduce the burden on business by facilitating a change in the VAT regime which would allow the VAT free movement of goods and services between registered traders.

## 4. REGULATORY BURDENS:

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### INSURANCE

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- the broadening of the Pool Re system to underwrite the provision of Employer's Liability -Funding to be provided by allocating the 'windfall' element of the Insurance Premium Tax to Pool Re.
- an end to 'no win no fee' ambulance chasing.
- the Courts to take a realistic view of settlement figures in order to avoid inflating expectations, claims and costs.

### IR35

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- the introduction of a Right to be Self-Employed Bill, allowing individuals to certify themselves as self-employed.
- the immediate repeal of IR35, which is an administrative burden for both Inland Revenue and taxpayer alike.

## 5. SELF-EMPLOYED OR INCORPORATED?

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- a new Small Business Allowance of £10,000 for unincorporated businesses so they can enjoy an equal benefit to the new zero rate of corporation tax for the first £10,000 of profits.
- the Chancellor to avoid future distortions in the tax system, and to introduce measures that are of benefit to the entire small business sector and not just to one section of it.

# 1: EXECUTIVE SUMMARY

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## 6 OTHER TAXATION MATTERS:

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- tiered entry to VAT.
- the Chancellor to address urgently the provision of a state backed , fully funded pension to sit between the basic state pension and commercial private pension arrangements.
- a monthly direct debit payment facility for both income tax and VAT.
- the interest paid on overpaid tax to be at the same rate as that charged for the late payment of tax.
- the Chancellor to act to encourage business owners to retain profits in their businesses.

## 7 FUNDING THE PROPOSALS

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The FSB calls on the Government to tailor its taxation policy to what the population can afford rather than what the Government wishes to spend.

The National Audit Office have highlighted that there is considerable waste and misuse within current spending policies, both in Britain and in the European Union. If tackled effectively the available savings would provide ample scope for the increase and changes to personal allowances that we have proposed.

## 2: INTRODUCTION

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Over the years, the economic and social contribution of small businesses in the UK has become widely recognised. Small firms have been identified as a key source of job creation, enterprise and innovation, driving the productivity gain so essential to the UK economy. However, despite their relative success, the policy framework within which they operate constrains them from fulfilling their true potential as wealth creators for the community. Recent Government Statistics have demonstrated that small business closures are up by 5%. The Government must rethink its policies towards the small business sector, encouraging them to grow and, through innovation and prosperity, develop increasing employment opportunities.

This budget submission to the Chancellor of the Exchequer focuses on a number of policy proposals that seek to encourage an enterprise culture. These offer a route by which the Government can take a significant step towards meeting the UK productivity challenge. The FSB is confident that the cost of these proposals could be met by addressing the current waste and misuse within Government spending policies and urges the Chancellor to act to reduce these losses.

### 2.1 SMALL BUSINESSES IN THE UK

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Small businesses make an important contribution to the economy, accounting for almost a half of UK private sector employment and one half of output. The DTI has estimated that at the beginning of 2002, 3.8 million enterprises were active in the UK - a figure that has remained broadly static for over a decade.

As table I shows, approximately 95% of all businesses employ less than 10 people

**TABLE I**

The proportion of businesses and their employment and turnover contribution in the UK by size of enterprise – 2002

<b>Number of Employees</b>	<b>Businesses (%)</b>	<b>Employment (%)</b>	<b>Turnover (%)</b>
0 - 1	68.2	10.6	6.8
1 - 9	26.2	14.0	14.7
<b>Sub-totals</b>	<b>94.4</b>	<b>24.6</b>	<b>21.5</b>
10 - 99	5.1	17.1	21.3
100 - 499	0.3	10.5	15.7
500 plus	0.1	47.7	41.5

Source: *Small and Medium Enterprise Statistics for the UK 2002, SBS*

## 3 REDUCING THE FINANCIAL BURDEN

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Minimising the financial (and regulatory) burden imposed on businesses should be a key consideration in the design and implementation of Government policy. Adopting such an approach would be beneficial to all businesses and small ones in particular - as they carry a disproportionately large compliance burden.

At its simplest, reducing the financial burdens imposed on business increases the reward to enterprise and provides greater scope for reinvestment of profits in investment and training. The proposal to increase personal allowances, discussed in the next section, represents an important element of this strategy. In this section we discuss a number of other proposals designed to reduce financial burdens.

### 3.1 NATIONAL INSURANCE

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In April 2003 Employers' National Insurance rose by 8.5% from 11.8% to 12.8%, while Class 4 escalated by over 14% from 7% to 8%. Both employers and employees have noticed a significantly increased cost, which has undermined the profitability of the private sector and added substantive costs to the public sector. These increases are passed on through Council taxes. The rise in Employees' NICs, in conjunction with above-inflation increases in Council Taxes, will generate damaging inflationary pressure on wages. Taken in conjunction with the rises in the National Minimum Wage and the associated impact on wage differentials – of particular concern in the private care home sector – these rises have the capacity to create inflation throughout the economy.

In October 2001, the Inland Revenue confirmed that the £2 per week Class 2 NIC made by the self-employed was adequate to fund their benefit entitlement. The Class 4 contribution, of 8% (from April 2003) on an earnings band, is therefore, a separate additional discriminatory tax on the self-employed.

The FSB also notes last year's significant rise of £2080 in the earning limit for Class 4 NICs, followed by a further £520 this year to reach a substantive £30,420, whereas the lower entry threshold rose by a mere £80. This represents a significant increase in the breadth of application of Class 4 NICs.

The breach of the upper cap on Class 1 - primary and secondary - and Class 4 NICs by the announcement that 1% will be payable on earnings above the cap undermines the principle of capping and represents a significant extension to Government revenue generation.

#### **RECOMMENDATION:**

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*The FSB calls for the Chancellor to rescind the increases in National Insurance Contributions.*

*The FSB urges the Chancellor to confirm that all National Insurance Contributions will be hypothecated to provide benefits for the contributors and will not be used as a general method of taxation.*

*The FSB calls for the reversal of the breach of cap in Class 1 and Class 4 National Insurance Contributions.*

*The FSB calls for the abolition of Class 4 Contributions as a "tax impost".*

*The upper limit on earnings liable to Class 4 NICs should rise by no more than the entry threshold rise.*

### 3.2 RE-CAPITALISATION

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The re-capitalisation of a business can be essential for its expansion and growth. It is therefore, anomalous that those small businesses that have created a reasonable size 'externally invested' pension fund, through insurance or unit trust fund products, cannot re-capitalise their businesses from those resources to the benefit of their own environment. Those business owners are debarred from selling their own property to their own individual 'Self-invested' Personal Pension Scheme' (SIPPS) or a 'Small Self-administered Scheme' (SSAS) to release equity capital in a tax efficient manner.

## 3 REDUCING THE FINANCIAL BURDEN

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### **RECOMMENDATION:**

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*The FSB calls for changes to Inland Revenue-Memorandum 101 and other constraining rules regarding SIPPS and SSAS investments to provide for the purchase of any asset under any ownership. Disposals from the pension fund should be treated in the same way.*

*The tax effect is neutral because the purchase of assets from any third party would be allowed, therefore, the same tax conditions would pertain.*

### **3.3 CAPITAL ALLOWANCES**

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The FSB was pleased that the Chancellor of the Exchequer recognised the merit of introducing 100% First Year Allowances (FYA) for the purchase of ICT equipment and making the 40% FYA on other business plant investment permanent.

In 2003 the First Year Allowance of 100% was extended for one year on the 9th April 2003 – uncertainty existed for 9 days causing traders to take precipitate action to purchase ICT equipment which had an adverse effect on cash flow expended to meet the 31st March 2003 deadline.

### **RECOMMENDATION:**

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*The FSB requests that any decision to extend or continue Capital Allowances be made in a timely matter, so that business decisions can be properly made. We call for the First Year Allowance of 100% for information and communication technology to be introduced for a 3 year period to acknowledge the obsolescent factor associated with this type of capital expenditure.*

#### **3.3.1 HEALTH AND SAFETY:**

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The Government's "Revitalising Health & Safety" strategy is aimed at reducing accidents and ill health in the workplace and in small firms in particular. Small firms want to ensure that their workplaces are as safe as possible.

### **RECOMMENDATION:**

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*The FSB proposes that the Chancellor extend the 100% FYA to include the purchase of machinery and personal protective equipment, including replacement equipment, intended to improve workplace health and safety.*

#### **3.3.2 WASTE MANAGEMENT:**

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Improvements to the handling of commercial waste require costly investment by waste management businesses. Such investment reduces cost to the wider business community whilst benefiting the environment.

### **RECOMMENDATION:**

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*Enhanced Capital Allowances to be made available for investment in waste management infrastructure.*

#### **3.3.3 DISABLED ACCESS INVESTMENT:**

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Small firms are sensitive to the needs of their disabled customers and employees and want to be fully compliant with the requirements of the Disability Discrimination Act - but are concerned about the cost of ensuring effective disabled access.

## 3 REDUCING THE FINANCIAL BURDEN

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### RECOMMENDATION

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***100% First Year Allowances (FYA) to be made available for investment –to ensure that business premises comply with the requirements of the Disability Discrimination Act.***

***Increase the financial assistance given to the Access to Work fund to enable this scheme to reach a higher proportion of small businesses.***

### 3.4 FUEL AND TRANSPORTATION COSTS

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#### 3.4.1 FUEL PRICES:

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The pump price of fuel in the UK is the highest in European Union area. High fuel costs restrict the free movement of those people engaged in small businesses and reduces competitiveness. The impact of distance and higher fuel costs in rural Britain – especially Scotland - places small non-urban businesses at a severe disadvantage. FSB research (Lifting the Barriers to Growth in UK Small Businesses 2002) shows that only 4% of small businesses are satisfied with fuel costs. The Centre for Economic and Business Research recently concluded that a reduction of UK fuel taxes to EU levels would boost UK exports by around £3 billion a year.

#### RECOMMENDATIONS:

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***A major reduction in pump prices by a reduction in fuel duty.***

***Moreover, the FSB recommends that the inflationary effects of price rises in producer fuel costs be avoided by compensating adjustments to fuel duty.***

#### 3.4.2 ALTERNATIVE FUELS:

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The FSB welcomes the Government's lead in promoting the use of non-petroleum fuels for the UK's transport requirements. There is continued concern that the duty on alternative fuel may increase and this is damaging both user and supplier confidence. Small businesses are also experiencing difficulty in accessing Powershift type assistance for vehicle conversion.

#### RECOMMENDATION:

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***The FSB calls on the Chancellor to extend his assurance that duty on non-petroleum fuels will be maintained at their current level until 2010.***

***Further assistance to business conversion of vehicles should be prioritised.***

#### 3.4.3 TRANSPORT INFRASTRUCTURE:

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The transport infrastructure of the United Kingdom has suffered from severe under-investment over the past 40 years, whilst the tax take from motorists has risen exponentially. Only 14p from every pound paid by drivers in fuel duty, road tax and VAT is spent on roads. The crumbling infrastructure is widely recognised as an impediment to economic growth.

While the FSB recognises that action is needed to tackle the issue of traffic congestion, revenue-raising schemes such as congestion charging, motorway tolling and workplace parking levies, place an unnecessary burden on small businesses who rely on their vehicles for deliveries, and for whom public transport is not a feasible alternative. The FSB believes that any initiatives to reduce congestion should differentiate between private motorists, who choose to use their car over public transport, and business, for whom their vehicle is an essential 'tool of the trade'.

## 3 REDUCING THE FINANCIAL BURDEN

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### RECOMMENDATION:

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*The FSB urges the Chancellor to provide adequate funding for both road and rail, so that an effective integrated system of transportation is developed within the next decade.*

*The FSB asks the Chancellor to reject revenue raising schemes such as workplace parking charges and road tolling due to the additional, indiscriminate burden they place on small firms.*

### 3.4.4 COMMERCIAL VEHICLES:

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The FSB is concerned by the number of older commercial vehicles on British roads and their effect upon safety and the environment. Many small transport and coach operators are not able to benefit from the generous first year allowance, because of the high cost of purchasing their vehicles.

### RECOMMENDATION:

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*We urge the Chancellor to give some broader measure of relief for the purchase of commercial vehicles by reinstatement of an Investment Allowance.*

This should be available for offset against current or future profits or available for carry-back against profits of earlier years.

The Investment Allowance would be an incentive to invest in new (not second-hand) vehicles and would encourage operators to change their vehicles more frequently, delivering environmental and road safety benefits.

*For example:*

Cost of new Truck		£100,000
20% Investment Allowance	£20,000	
40% FYA	<u>£40,000</u>	<u>£40,000</u>
Total allowance		£60,000
Balance available for future relief		£60,000

### VANS

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The FSB calls for a low emission Road Fund Tax to be implemented for all road vehicles, together with the same Capital Allowances regime, which currently applies to low emission cars.

## 3.5 ENVIRONMENTAL TAXES

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It is the opinion of the FSB that the objectives of and any revenue recycling associated with environmental taxation should be strongly promoted amongst those paying the tax. There is scepticism within the small business community that environmental taxes are "stealth" taxes and there is little appreciation of revenue recycling attached to, for example, the climate change levy. In order for environmental taxation to succeed in changing behaviour, there is a need for those affected to understand the purpose of the tax and the mitigating action that can be taken.

### 3.5.1 THE CLIMATE CHANGE LEVY:

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The Climate Change Levy is intended to reduce climate threatening emissions by taxing a proxy – the use of energy. Intended to be fiscally neutral, the tax take is recycled via a 0.3% cut in Employers' NIC and the Carbon Trust scheme. However, this tax disproportionately impinges on small energy intensive businesses where any

## 3 REDUCING THE FINANCIAL BURDEN

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reduction in employer's NICs is not offset by the increase in energy costs, whilst favouring large employers with low energy use. FSB research 'The Climate Change Levy – Another Cost for Small Businesses' (2002), demonstrates that most small businesses that pay the levy are net losers, some substantially so.

Awareness of the tax and the means by which energy efficiency can be improved and the burden of the CCL can be reduced is very low. Research has shown that businesses with access to Climate Change Levy Agreements are more likely to make use of the incentives available and undertake energy efficiency measures. The FSB considers that wider accessibility to Climate Change Levy Agreements to incorporate more small businesses would reduce the disproportionate burden on small businesses and achieve the aims of the levy.

The FSB does not accept that the levy in its current form will make a significant contribution to reducing climate change, and is concerned that the CCL "model" will be used by Treasury in the design of future environmental taxes. In addition, small businesses consider it unjust to be charged VAT on a levy they consider to be a tax by any other name.

### **RECOMMENDATIONS:**

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- *The FSB calls for the repeal of the Climate Change Levy in its current form until it can be demonstrated that the Climate Change Levy delivers its environmental aims without disproportionately burdening small business.*
- *The FSB calls for a full evaluation of the effectiveness of Climate Change Levy Agreements and their extension to a wider audience.*
- *The design of environmental taxes that address the issues directly, have carefully developed transition mechanisms and that do not penalise small businesses, must be prioritised.*

### **AGGREGATES LEVY:**

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The Aggregates Levy aims to improve the usage of aggregates by imposing a levy of £1.60 per tonne. Intended to be fiscally neutral the take is recycled via a 0.1% reduction in Employers' National Insurance Contributions and a Sustainability Fund. The scheme is of doubtful environmental benefit. Small quarrying operations are placed at a competitive disadvantage as they employ fewer people. The industry passes costs onto the broader business community as transport infrastructure and property development costs increase. Businesses in Northern Ireland - where the levy is being phased in over 5 years - are particularly concerned about their capacity to compete because they share a land border with the Republic of Ireland which has no equivalent burden. The scheme is also administratively burdensome.

### **RECOMMENDATIONS:**

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*The FSB calls for the repeal of the Aggregates Levy.*

### **LANDFILL TAX:**

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The Landfill tax aims to stimulate a move away from dependence on landfill and an increase in waste minimisation, reuse and recycling. The landfill tax is currently £14 per tonne and from 2005/6, the tax escalator will increase to £3 per annum resulting in a tax of £18 per tonne in that year rising progressively towards a target rate of £35 per tonne. The FSB welcomes the Treasury's commitment to recycle revenue raised from business through the landfill tax back to business and the open and inclusive approach taken to assessing the options.

The FSB is opposed to the use of proxies to recycle revenue. There is no correlation between the quantity of waste produced by a business and its profit, turnover or number of employees. In addition the FSB is of the opinion that recycling revenue through proxies does little to reinforce the behavioural shift sought by use of the tax.

## 3 REDUCING THE FINANCIAL BURDEN

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Increased costs will be passed onto a small business community limited in their ability to adapt to these. The FSB urges the Treasury to clarify the timetable and expected business costs of the transition to a £35/tonne landfill tax at the earliest opportunity. Business thrives on certainty and such a statement would assist in forward planning and provide certainty for investment.

### RECOMMENDATIONS

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- *The FSB calls for a portfolio of revenue recycling options that provide a strong base to act as an incentive and assist business to shift to more sustainable waste management practises.*
- *The FSB calls for tax incentives for all small businesses and government spending programmes as the primary means of recycling landfill tax revenue in the early years.*
- *The FSB would like to see additional funding for the Envirowise programme, which has the potential to genuinely assist small businesses to address waste minimisation, conditional on a review and further development of the Envirowise services to small businesses.*

## 4: THE INFORMAL ECONOMY

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A thriving informal economy in the UK fails to contribute to the welfare and productivity of the mainstream economy - the economy which delivers the vital public services on which we all depend. Competing unfairly with legitimate small businesses, it is destroying any attempt at a level playing field that is so necessary for healthy competition and often offers a substandard service, which generates a climate of suspicion amongst consumers.

Successive Governments have made substantial funds available for initiatives aimed at curbing the growth of the informal economy. These policies have taken a 'scattergun' approach and being flawed have caused regulatory, and financial burdens to be imposed on legitimate businesses whilst having little effect on the informal economy. With each piece of government legislation imposed on businesses the 'playing field' becomes more and more unfair for the registered business.

One area of evident failing is the PAYE scheme. The government's 'Social Benefit Campaign', surely means that the trapping of true earnings should be of the utmost importance. The FSB suggests that the current system is far from fair to employers. We also believe it is flawed in its ability to trap total income and is therefore grossly unfair to the legitimate tax payer who, because of the informal economy, is probably paying higher 'taxes' than necessary.

Many of the PAYE processes used today were designed when taxpayers had one employment, whether this was part-time or full-time. Over the last 20 years society has fundamentally changed and more people have multiple part time jobs or a full time plus a part-time job. The FSB believe that the PAYE system needs to be updated to reflect this fundamental change in society.

Please see the FSB pamphlet entitled "Small Business & The Payroll Problem" for further information on this topic.

## 4: THE INFORMAL ECONOMY

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Small Businesses would benefit from either a single visit by a generalist to check business compliance with tax legislation, or a coordination of visits from the Inland Revenue & Customs & Excise. Ongoing visits by both departments spread over 6 month/yearly intervals are time consuming and stressful for small businesses.

### 4.1 BRINGING THE INFORMAL ECONOMY INTO THE PAYE SYSTEM

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To enable the 'informal economy' to be brought into the PAYE scheme the FSB recommends that there is a 'Three Month Amnesty' from the beginning of the tax year 2004/05, to encourage employers to register for a PAYE scheme. It would have to be made clear that the Inland Revenue will not be allowed to go back to earlier years to assess any liability for PAYE, or to hold 'In-depth' tax enquiries on any period prior to the amnesty for employers who register under the amnesty rules.

Benefits: The FSB believe more income tax, and possibly VAT would be collected and less social benefits would be payable, i.e. National Tax Credit, creating a more level playing field for the small business.

### 4.2 THE CUMULATIVE BURDEN OF TAXATION AND REGULATION

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The increasing complexity of the taxation system is in itself a deterrent to legitimizing business as those outside the formal economy perceive the difficulties of engaging with their obligations and the need to employ intermediaries to ensure compliance.

Good business deserves good regulation and the time to allow such regulation to 'bed in' and deliver the benefits that Government, society and the business community desire. However, the plethora of business regulation is such that some businesses choose to operate fully or partially outside of the legislative burden.

#### RECOMMENDATIONS

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- *The FSB calls for simplification of the tax system.*
- *The FSB calls for the adequate resourcing of the Inland Revenue to ensure that the bureaucratic burden on small businesses is minimised.*
- *Minimise or remove the burden of new legislation on small businesses.*
- *Exemptions for small businesses as permitted within EU legislation should be taken up the UK Government. Regulatory Impact Assessments (RIA) as part of legislative development to be carried out effectively and reviewed retrospectively every five years.*
- *The Small Business Service to exercise its role effectively in ensuring that the small business analysis in any RIA is accurate by implementing the Small Firms Impact Test.*
- *Sunset clauses to be utilized in new legislation*
- *Enable businesses to comply easily through advice and guidance and ensure that enforcement is steered by the Cabinet Office Enforcement Concordat. Both Her Majesty's Customs and Excise and the Inland Revenue need to exhaust all compliance avenues before instigating in depth tax investigations or moving to summary warrants.*

## 5: MISMANAGEMENT OF THE UK TAX SYSTEM

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### TAX CREDITS

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The FSB is firmly of the view that the social policies of Government should not be delivered through the employer payroll and calls for State Benefits and the collection of loan repayments to be administered by the experts, i.e. the government departments who already have the IT capacity and employees available to carry out this function.

For employers, there is a great deal of time and cost associated with operating Payment Via Employer (PVE) systems rather than the Inland Revenue paying claimants directly. This additional cost is borne by the taxpayer and the employer. The FSB believe that this additional cost is avoidable.

A full cost-benefit review needs to be carried out on the New Tax Credit administration process of PVE. We believe only a partial cost-benefit review was carried out at inception on New Tax Credits.

### VAT FRAUD

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The FSB urges the UK government to reduce the burden on business by facilitating a change in the VAT regime which would allow the VAT free movement of goods and services between VAT registered traders. The FSB considers that this change to the VAT system has benefits which far outweigh the disadvantages

The FSB is concerned that HM Customs & Excise fundamentally fail to address VAT frauds. The introduction of more bureaucratic measures, merely creates further opportunities for fraud to be perpetrated. The sums estimated to be lost through fraud should not be confused by avoidance schemes exploited by tax advisers. The money which C&E allege goes missing from tax evasion, could be devoted to good causes in the public sector and could apply equally to the revenue loss instigated by C&E's lack of control of the VAT system.

The FSB urges the UK government to take the opportunity for a progressive approach to facilitate the VAT free movement of goods and services between VAT registered traders. (An opportunity is available during the redrafting stage of the EU Sixth Directive)

### ZERO RATING BETWEEN REGISTERED TRADERS

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The FSB has long pressed for a change to the administration of VAT. Please see Appendix A for a detailed explanation as how the concept of zero-rating may work in practice.

## 6: REGULATORY BURDENS

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The FSB has long argued that one of the principal constraints on the growth of small businesses is the existence of excessively onerous regulations. These are the result of, inter alia:

- PAYE and NIC
- indemnity insurance requirements
- Value Added Tax
- National Tax Credits
- Deduction of Earnings Order (Child Support Agency)
- Attachment of Earnings Order (Courts)
- Student Loans
- Child Support Tax Credits
- Stakeholder Pension Scheme

Other regulations can also impose economic restraints, including employment law, legislation designed to address money laundering and Health and Safety requirements.

Although these regulations are imposed on all businesses, the cost of administration is disproportionately high for small businesses.

Research by the Inland Revenue has shown that compliance costs per employee were £288 per annum in the 1-4 employee size group compared to as little as £5 for the 5,000+ group. Moreover, this burden has increased in recent years, driven by increased costs of complying with personal and corporate self-assessment and new legislation. Many of the burdens imposed by new legislation are related to the delivery of Government social policy.

Lifting administrative and regulatory burdens will be as beneficial as easing financial burdens.

### **INDEMNITY AND EMPLOYER'S LIABILITY COMPULSORY INSURANCE:**

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Businesses are required to carry certain forms of insurance in order to operate. The commonest forms are Employer's Liability - which is a statutory requirement on all employers - and professional indemnities. Employer's Liability was intended to cover 'slips and trips' in the workplace but now also provides for the costly long term industrial diseases and a range of unforeseen – and unforeseeable – employee claims on the insurers. The crisis in the insurance market has meant a whole-scale escalation in the cost of most insurance – premium increases of 600% are frequent – and the withdrawal of availability of particular types of insurance. Many small businesses cannot afford or obtain the necessary cover and may be forced to purchase unsustainable cover or be driven to trade illegally.

A recent survey carried out by the FSB into the effects of the current crisis in the insurance market on UK small businesses found that small businesses are continuing to experience a steady rise in insurance costs with 20% of firms reporting a doubling in premiums this year.

25% of employers find the essential Employers' Liability Compulsory Insurance (ELCI) difficult or impossible to secure despite vigorous attempts to find cover. Small businesses in sectors such as retail and services are facing serious difficulties in securing ELCI. The problem is not restricted to firms in 'high risk' sectors.

The rise in insurance premiums has severely impacted on many small businesses. 60% reported a decrease in profitability and 25% saw turnover decline. 19% of respondents saw a decrease in staff levels, 16% reported a decrease in their marketing activity with a similar number reducing investment in training.

## 6: REGULATORY BURDENS

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### **RECOMMENDATIONS:**

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*FSB calls for an extension to the 21 days to enable businesses to find an alternative insurer. Clear guidelines on health and safety policy should be produced enabling insurers to take this into account when offering cover. Claim records also need to be taken into account.*

*The FSB calls on the Chancellor to broaden the Pool Re system (which currently underpins aviation insurance) to underwrite the now extended provision of Employer's Liability. Funding should be provided by allocating the 'windfall' element of the Insurance Premium Tax (forecasted to raise £1.9bn prior to this cycle of dramatic increases) to Pool Re.*

*The FSB calls for an end to 'no win no fee' ambulance chasing, which is fuelling an American style claims culture and driving up insurance costs.*

*The Courts must take a realistic view of settlement figures in order to avoid inflating expectations, claims and costs.*

### **IR35**

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The enactment of Schedule 12 to the Finance Act 2000, (known as IR35 after the Inland Revenue Budget 1999 Press Release of the same name), is having a devastating effect on tens of thousands of small businesses, and particularly those in the 'knowledge-based' sector. The legislation favours large contractors and suppresses an important route from employment into entrepreneurship.

Because of the complexity of this legislation, the way in which it is being enforced by the Inland Revenue is in many cases heavy handed, with long lists of questions and time consuming meetings. Compliance costs are high for those who may be affected as they need to review all their contracts, and it is hard to believe that this is improving the tax take in any significant way.

The FSB suggests that the costs of compliance probably outweigh the tax take.

### **RECOMMENDATION:**

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*The FSB calls for the immediate repeal of IR35 as being an uneconomic burden. Other ways within existing direct taxation can be used to better effect.*

*The introduction of a Right to be Self-Employed Act, allowing individuals to certify themselves as self-employed.*

## 7: SELF-EMPLOYED OR INCORPORATED?

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The FSB believes that all small businesses should be treated equally and fairly by the tax system. Government announces much needed and welcomed help for small businesses - but fails to make it clear that the unincorporated sector are not to benefit.

This Government has presided over a series of measures which have resulted in a situation where a business person who is self-employed, a partnership or an unincorporated business with £15,000 profits could pay up to significantly more tax than their incorporated counterpart.

Such a disparity has already seen a rush to incorporate, with Companies House reporting a 28 per cent increase in the number of new incorporations. The Institute for Fiscal Studies estimates there are 1.2 million people currently self-employed who could save up to £2,700 a year by incorporating and that if they did so the loss to the Exchequer would be around £2.5bn - equivalent to 1p on the basic rate of income tax. No tax system in any other major industrialised country favours one form of business structure over another to this extent.

The 2002 Budget measures served to benefit the small and micro businesses by a relatively large saving in tax and we feel that the tax incentives have been wrongly targeted. These small and micro businesses probably have no wish to expand their operations or to take on an employee. The FSB questions the justification for this special targetting of a tax break.

The FSB questions the wisdom of offering Tax breaks to the very small business by way of incorporation. We consider it more appropriate to give a small business allowance if it is desired to help small businesses, since costs skew most unfavourably on the micro business.

### **THE UNINTENDED CONSEQUENCES OF INCORPORATION**

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With a year's practical experience of the incentive to incorporate, there are a number of consequences arising from incorporation that need to be addressed:

- 1 Where a limited company reaches the end of its useful economic life and the owner wishes to disincorporate, a double charge to Capital Gains Tax can arise where the company sells off company assets and incurs a Corporation Tax (CGT) charge, and a further charge to Capital Gains Tax then arises in the hands of the - owner of the company when a distribution is made to the shareholder.
- 2 Where assets are left within the company (for example Bank balances), which could be considered to be in excess of the normal trading requirements of the company, then the trading status of the company changes and business taper relief may be lost by the substitution of the less generous investment taper relief.
- 3 Upon cessation of the old (self employed) trade, profits may be caught by the overlap provisions for Income Tax which arise on cessation – leading to an accelerated Income Tax burden, which may have to be met by extraction of funds from the company.
- 4 This loan to the owner/director may create an additional Tax liability under s419 ICTA 1988.
- 5 Valuation of Goodwill arising upon the disposal of the self employed business can present specific valuation disputes with the Inland Revenue, which may involve an extra administrative burden and professional costs associated with obtaining valuations, together with a potential additional liability to Tax when negotiating the valuation of Goodwill with the Inland Revenue.
- 6 A transfer of a business car into a limited company would attract the unwelcome "benefit in kind" rules associated with the provision of a company car and car fuel benefit, together with the administrative burdens of managing a PAYE Scheme.

## 7: SELF-EMPLOYED OR INCORPORATED?

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7 The "trusts and settlements" legislation contained in s660A ICTA 1988 may impact upon distributions made to participators.

8 By a judicious use of the Corporation Tax rules, whereby director/employees may draw no salary or income from the company (preferring the profits to be taxed at Corporation Tax rates), would make the director/employee eligible for maximum Tax Credits and Grants otherwise denied to a trader with taxable profits.

In other words the increase in bureaucratic burdens upon small and micro businesses and the costs inherent with the limited company vehicle of trading brings Tax savings - at a price.

The FSB strongly believes that business should be taxed to raise revenue, not to encourage a change of constitution.

The choice of business status should depend on the owner assessing which is the most appropriate structure for that particular business. A decision that should not be driven by the tax system. For many businesses the limited company form is not suitable – administrative costs, the taxation of borrowed money, the disclosure of company details and crucially the role of the business owner as an employee of the firm (necessitating the purchase of Employers' Liability insurance in the current difficult market, the unexpected burden of which has forced some newly incorporated companies into a vulnerable position). Making the incorrect choice purely to satisfy short term fiscal advantage can be disastrous for expanding or embryonic firms.

The self-employed, partnership and unincorporated small firms are the backbone of the British economy and should be recognised as such by the tax system. The FSB believes the current distortion is unhelpful and could in the long term threaten the existence of the self-employed, partnerships and unincorporated small firms.

### **RECOMMENDATIONS:**

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***The FSB therefore calls for a new Small Business Allowance of £10,000 for unincorporated businesses so they can enjoy an equal benefit to the new zero rate of corporation tax for the first £10,000 of profits.***

***The FSB also urges the Chancellor not to create future distortions in the tax system, but to introduce measures that are of benefit to the entire small business sector and not just to one section of it.***

***The FSB urges the Chancellor to introduce for the self employed Tax Relief for the purchase of Goodwill from a non-connected party and for Tax Relief to be introduced in respect of research and development expenditure.***

***The FSB calls for clarification of the Chancedllor's reference in the pre-budget report to "bring forward specific proposals for action in the Budget 2004 to ensure that the right amount of tax is paid by owner managers of small incorporated businesses on the profits extracted from their company".***

## 8: OTHER TAXATION MATTERS

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### 8.1 SECOND TIER EMPLOYEE PENSIONS SCHEME (STEPS):

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Concerns about pensions are becoming widespread. The FSB has researched a fully costed analysis for the implementation of a Second Tier Employee Pensions Scheme STEPS as a replacement for the State Earnings Related Pension Scheme (SERPS) and S2P – currently provided on a Pay as You Go basis - at no additional cost.

#### RECOMMENDATIONS:

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*The FSB urges the Chancellor to urgently address the provision of a state backed, fully funded pension to sit between the basic state pension and commercial private pension arrangements.*

*The FSB urges the Chancellor to confirm that National Insurance Contributions will be fully hypothecated to benefits provided to contributors and will not be used as a means of general taxation.*

### 8.2 CAPITAL GAINS TAX:

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The withdrawal of retirement relief had a severe impact on small businesses. Taper relief has obvious advantages where larger gains are realised but it is less beneficial for gains of the size that arise when small businesses are sold.

#### RECOMMENDATION

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*It is proposed that a Small Business Exemption be given for a business disposal incurring chargeable gains of less than £100,000 as an alternative to the current generous taper relief afforded to larger gains.*

### 8.3 VAT REGISTRATION THRESHOLD – THE CLIFF-EDGE EFFECT:

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The FSB understands the constraints imposed by the EC 6TH Directive, Article 24 on Small Business Schemes but believes that within this constraint an adaptation could be made to the current flat rate scheme to lessen the impact of the cliff-edge effect on VAT registration for growing businesses.

The FSB believes that the current flat rate scheme rates should be the rate payable by newly registered businesses in, say, their third year of registration. In the first year the rate payable should be reduced by two-thirds, reduced by one-third in the second year and the rate payable in full in the third year onwards. The effect of this will be to mitigate the cliff-edge on first registration and ease the taxpayer into the VAT regime in a tiered or stratified manner. Because businesses newly registering for VAT have not previously accounted for VAT, the FSB believes such an arrangement falls within the terms of Article 24 as such a mechanism does not "lead to a reduction thereof" of the charging and collecting of tax.

The FSB recognises that the flat rate scheme may need additional restrictions so that the VAT registered traders cannot switch from normal accounting to the reduced or discounted rate of VAT but believes such a variation to the scheme will assist newly registering businesses overcome the disincentive for VAT registration caused by the cliff-edge effect.

#### RECOMMENDATION

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*The FSB proposes tiered entry to VAT.*

## 8: OTHER TAXATION MATTERS

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### 8.4 BUSINESS INTEREST RELIEF AT SOURCE (BIRAS):

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At present, tax relief is available on interest paid on business loans when it is charged through the profit and loss account.

#### **RECOMMENDATION:**

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*The FSB proposes that BIRAS tax relief be allowed at source at the standard rate to assist cash-flow.*

### 8.5 TAX PAYMENTS BY INSTALMENTS:

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Under self-assessment rules, income tax is payable by two instalments, with the first instalment including any balance of tax due from the previous year. Non-payment results in a surcharge plus a high interest charge. The pattern of payment causes cash flow difficulties for some firms, especially those in sectors with strong seasonal trading.

Spreading the payment cycle over the full year would assist cash flow and alert both business and tax agency to any early signs of cash flow problems, allowing for effective debt management. This would also be of benefit if applied to VAT.

#### **RECOMMENDATION:**

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*The FSB calls for a monthly direct debit payment facility for both income tax and VAT.*

### 8.6 INTEREST CHARGED ON OVERDUE TAX:

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Interest charges for late payment of taxes are substantial. Small businesses note that overpaid tax does not attract similar high interest rates. This is inequitable.

#### **RECOMMENDATION:**

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*The FSB calls for the interest paid on overpaid tax to be at the same rate as that charged for the late payment of tax.*

### 8.7 THE EQUAL TREATMENT OF DEBT AND EQUITY

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In the present tax regime, incentives exist for business owners to use debt finance over equity finance. Interest payments are deductible from profits for tax purposes giving a greater advantage to using debt finance investment rather than retained earnings.

Schemes such as Enterprise Investment Scheme and Venture Capital Trusts offer tax relief for investing in businesses other than ones own. This also acts as an incentive to take money out of one's own business rather than retain profits to grow the business.

#### **RECOMMENDATION:**

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*The FSB asks the Chancellor to act to encourage business owners to retain profits in their businesses.*

### 8.8 RESEARCH & DEVELOPMENT TAX CREDIT

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The FSB welcomes the additional tax relief on Research and Development granted to small and medium sized companies in last year's budget but by limiting the R&D tax credit scheme to companies, the FSB feels the Government is making the assumption that sole traders are not as innovative as companies.

## 8: OTHER TAXATION MATTERS

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### **RECOMMENDATION:**

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*The FSB would call for tax credits to be extended to sole traders and partnerships. A further clarification and improvement of the guidelines would also help companies resolve whether or not they are eligible for the tax credits.*

*A further clarification/improvement of the guidelines would help companies decide whether or not they are eligible for the tax credits.*

### **8.9 CORPORATION TAX REFORM**

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The FSB is concerned that the changes likely to be made after the current consultation exercise will in many areas increase the complexity of tax compliance, and would like to see exemptions for SMEs from the new rules on transfer pricing and thin capitalisation. Experience suggests that these areas present a difficult area for compliance and that their application to SMEs will produce very little in the way of tax revenue.

### **8.10 MONEY LAUNDERING (PROCEEDS OF CRIME ACT)**

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This legislation will require accountants and tax agents to report to NCIS any suspicion that a crime has been committed (including the crime of tax evasion). There are no de minimus limits. This legislation is likely to impact on the relationships of professionals with their clients, and (given past experience) it seems likely that the flow of information will be such that it cannot be handled properly and there must be doubts about the ability of existing computer systems to handle that flow.

### **8.11 INHERITANCE TAX**

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The nil-rate band should be increased to prevent estates, which consist almost solely of the family home from being brought into the IHT net as house price inflation continues to exceed the RPI.

### **8.12 TAX INCENTIVES FOR INVESTMENT IN SECURITY EQUIPMENT**

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100% First Year Relief on investment made in specified security equipment by all stores under 3,000 sq feet. This would deliver great benefits to many small shops. Tax incentives are already used to promote investment in IT and in energy efficient equipment by small businesses and retailers would be better able to invest to counter the threat of crime in neighbourhoods throughout the UK. By helping businesses to help themselves, the Government can help to achieve its aim of safer and sustainable communities.

### **8.13 PENSIONS**

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We note, with dismay, the Chancellor's predisposition to ignore the call for hypothecation of benefits and individual contributions made by way of National Insurance (it is particularly so for our employees). In 1977 the Government were forced to test the practice in the European Courts of Justice, and lost.

£46.5 billion has been used for general Government expenditure from the SERPS "fund" alone over the past 25 years - the misappropriation of that money has to stop. Full hypothecation and forward funding must be instituted immediately.

Provision of state and private pensions must be prioritised.

The FSB has researched the problems of pension provision thoroughly with the assistance of 6 specialised university symposia engaging over 130 of the best and most informed minds in the country. The Second Tier Employee Pension Scheme (STEPS) must be taken seriously. The government actuaries department has analysed the actuarial tables produced by the FSB and the rates of contribution and can find no fault with them. We ask the Government to engage with business proprietors and their employees to arrest the undermining

## 8: OTHER TAXATION MATTERS

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of the savings culture in our society. STEPS is the only suggested scheme that meets every principle laid down by Government, and the pensions industry, as desirable:

1. Guarantees – certainty – security.
2. Low cost.
3. Inclusive membership for all social levels.
4. Egalitarian disposition of profits from investment and trading income of the providers.
5. Wholly independent yet state guided partnership.
6. Administratively simple with streamlining of the current accepted business practices.

National Insurance is not a tax; it is a defined mechanism for providing pensions and other social benefits. The 1% tax introduced on business and employees should be scrapped and 2% put on the standard rate of tax. Tax on pension schemes should be withdrawn as should the tax on charities (equity investment dividend tax).

### 8.14 STAMP/LEASE DUTY

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FSB calls on the Government to rethink the changes to Stamp Duty Land Tax, with particular reference to the changes to Lease Duty, which will result in tax on leases increasing by an average of eight times.

## 9. FUNDING THE PROPOSALS

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In 2003, the Adam Smith Institute reported 'Tax Freedom Day' to be 2 June and it is estimated to fall on 7 June in 2004. In other words, 155 days of the year were spent working for the Government. These dates are in fact deceptive and the tax burden is lower than the reality because of Government borrowing to make up the difference between tax receipts and public spending. Sooner or later, however, borrowing has to be paid for. If the burden of this deficit is added on, it turns out that the 'real' Tax Freedom Day in 2002 was 11th June, rising to 12th June this year.

The FSB calls on the Government to tailor its taxation policy to what the population can afford rather than what the Government wishes to spend.

It is acknowledged that there is considerable waste and misuse within current spending policies, both in Britain and in the European Union. If tackled effectively the available savings would provide ample scope for the increase and changes to personal allowances that we have proposed.

And remember.....

**SMALL BUSINESSES CREATE LARGE ECONOMIES**

## APPENDIX A - ZERO RATING BETWEEN REGISTERED TRADERS

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Supplies will remain taxable supplies albeit at the zero rate operating under a system of advice from a customer that they are VAT registered and are consequently entitled to receive supplies free of VAT. The supply remains a taxable supply and VAT will ultimately be due on the increased value added to the goods or service - at the retail/final consumer level..

The advantage is that the revenue is not put at risk at each stage in the transaction but the revenue authorities can devote their attentions to the final stage, i.e. mainly the retail stage, in the chain of supply.

The FSB identifies obvious benefits of the tax-free movement of goods and the services as being:

- Goods remain tax-free in stock, thereby not incurring financial implication for traders.
- Cash flow benefits flow to the buying trader who does not have to pay VAT on the purchase of goods against their overall values. This assists the buying trader with a positive cash flow position.
- Cash flow benefits flow to the seller who does not have to charge VAT to his customers and consequently does not account to the authorities for the VAT on the supply of goods. This provides a positive cash flow advantage to the supplier who does not have to finance the movement of VAT through the chain of supply.
- There is a cash flow benefit to government in the reduced burden of handling repayment VAT claims.
- There is a further benefit to government in that the control of registered traders by C&E need not be spread across all business activities but C&E can concentrate their efforts on the output tax due at the final point of supply i.e. normally retailers. The C&E control staff will immediately have the benefit of only having to examine half of the business invoices since there can be no loss of revenue on the purchase side of records between registered traders, (see below re partial exemption) although credibility tests must continue to be made on the overall credibility of the business records.
- The burden of tax payment is pushed to the retail end of the supply chain which makes it easier for C&E to control and devote their resources accordingly.
- Retailers, because they tend to be more static, are consequently less itinerant and are therefore easier to find by C&E making it much more difficult for missing trader frauds to be perpetrated.
- The system becomes less burdensome with regard to record keeping for traders thereby simplifying accounting records and saving time, consequently reducing the burden on business.
- There is no change to the exports procedures with the current system.
- Exclusions, e.g. restaurateurs, can be introduced if it is believed that it is appropriate to remove tax-free supplies of certain items, thereby minimising the risk of abuse e.g. by way of entertaining etc.
- The advantage to the revenue in allowing the VAT free movement of goods between VAT registered traders is that high value transactions, and hence the obvious benefits of manipulation by fraudsters, is removed from the chain of VAT activity. Most retail purchases are of relatively low value and therefore require substantial suppression to make fraud worthwhile. Wholesale transactions of high value where VAT can be evaded by "becoming a missing trader" are removed from the chain of supply and therefore greatly reduce the risk to the revenue.
- The risk to the revenue of purchase invoices creating a recovery right by taxpayers is removed, including bad

## APPENDIX A - ZERO RATING BETWEEN REGISTERED TRADERS

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debt or insolvency situations. Similarly, the risk of bogus purchase invoices is removed.

There would undoubtedly be disadvantages involved in such a change of procedures but the FSB believes that they are not insurmountable and that the benefits far outweigh the disadvantages involved.

The first disadvantage is that of change. Traders, tax advisers and C&E staff would initially face an unknown phase and the learning of new rules would be a requirement.

The issue and updating of the letter of advice regarding VAT registration would be an increased burden on business insofar as all buyers would have to notify suppliers of their VAT registration and entitlement to a tax free purchase. However the FSB believes that this could be incorporated into purchase order forms which would cover a lot of purchase situations only requiring a specific letter of notification to be provided in certain circumstances. Furthermore the FSB believes that with modern electronics the verification of VAT registration numbers through smart card verification or similar means would be reasonably straightforward.

Partial exemption would undoubtedly create a potential difficulty. The FSB believes that the reverse charge mechanism and the self-supply provisions could be adapted for the industries which currently are involved in partial exemption. Many small businesses would be within the partial exemption "de minimus" limits and there are only a few business sectors where this may become an increased burden on business. This is likely, however, to be less than the current burden where all invoices on purchases are analysed under three headings.

The government benefits by being able to redeploy its resources of staff involved in VAT control or assurance visits and staff- could either be reduced or - devoted to the task of targeting the retail stage of the chain of supply rather than being spread throughout the whole chain of supply in all industries.

As an example, farmers who make zero rated supplies of foodstuffs would also acquire zero rated fertiliser and combine harvesters and would thereby cause little or no tax risk to the revenue through the revised procedure.

The VAT on imports could be a cash flow disadvantage to government but this point of principle of always charging VAT has already been breached by the procedure which allows goods to be moved on importation from one Member State directly to another to transfer on a VAT free basis. (leaflet 702/7 refers).

The quantity of letters of notification held by each trader would undoubtedly be a disadvantage. However depending on the number of letters held the system may be readily manageable in summary form or can be adapted by some form of electronic management.

The FSB believes that in this electronic age, most disadvantages of the notification of VAT registration numbers can be overcome by current electronic means.

Without a radical review of the administration involved at each stage of the VAT collection cycle, opportunities for fraud will continue.

The further enlargement of the EU next year will present more opportunities for fraud.

# APPENDIX B SELF-EMPLOYED VERSUS LTD LIABILITY

## TABLE INDICATING THE DISPARITY IN TAXATION DEPENDANT ON BUSINESS STATUS.

### FSB Taxation Policy Committee

#### Self-Employed versus Ltd Liability

Examples	2003/04				Self Empl	Tax Bill	Self Empl	Tax Bill	Self Empl	Tax Bill	Self Empl	Tax Bill	Self Empl	Tax Bill	Self Empl	Tax Bill	
	Self Empl	Tax Bill	Self Empl	Tax Bill													Self Empl
1	Self-employed Profits	15000	14616	20000	30000	37000	4615	4615	42000	4615	4615	4615	4615	69765	69765	196.00	
	Profits	15000	14616	20000	30000	37000	4615	4615	42000	4615	4615	4615	4615	69765	69765	196.00	
	PA	4615	4615	4615	4615	4615	4615	4615	4615	4615	4615	4615	4615	4615	4615	6278.80	
	Rates SR	10385	10385	15385	25385	32385	1960	1960	1960	1960	1960	1960	1960	1960	1960	28540	
	BR	8465	8465	13425	23425	28540	1885	1885	28540	28540	28540	28540	28540	28540	28540	13860.00	
	NIC C/2	104.00	104.00	104.00	104.00	104.00	104.00	104.00	104.00	104.00	104.00	104.00	104.00	104.00	104.00	104.00	
	C/4	800.08	830.80	1230.80	2030.80	2030.80	4484.30	7484.30	4484.30	7484.30	7484.30	7484.30	7484.30	7484.30	7484.30	2448.10	
	Total Tax/NIC	<b>A</b>	<b>2869.10</b>	<b>2984.30</b>	<b>4484.30</b>	<b>7484.30</b>	<b>7484.30</b>	<b>7484.30</b>	<b>7484.30</b>	<b>7484.30</b>	<b>7484.30</b>	<b>7484.30</b>	<b>7484.30</b>	<b>7484.30</b>	<b>7484.30</b>	<b>11506.25</b>	<b>22886.90</b>
2	Company Profits	14615	15000	20000	30000	37000	4615	4615	42000	4615	4615	4615	4615	69765	69765	196.00	
	Profits	14615	15000	20000	30000	37000	4615	4615	42000	4615	4615	4615	4615	69765	69765	196.00	
	Salary	10000	10385	15385	25385	32385	1960	1960	1960	1960	1960	1960	1960	1960	1960	28540	
	CT(SCR)		385	5385	15385	22385	3653.94	3653.94	27385	27385	27385	27385	27385	55150	55150	0.00	
	<b>B</b>	0.00	<b>91.44</b>	<b>1278.94</b>	<b>3653.94</b>	<b>5316.44</b>	<b>5316.44</b>	<b>5316.44</b>	<b>5316.44</b>	<b>5316.44</b>	<b>5316.44</b>	<b>5316.44</b>	<b>5316.44</b>	<b>5316.44</b>	<b>5316.44</b>	<b>6503.94</b>	<b>12378.50</b>
	Avail Profit	10000	10294	14106	21731	27069	30881	30881	30881	30881	30881	30881	30881	52772	52772	1238.97	9143.88
	Divi	10000	10294	13235	21731	27069	30881	30881	30881	30881	30881	30881	30881	52772	52772	1238.97	9143.88
	plus Tax Cr	14615.00	14909.00	17850.00	26346.00	31684.00	35496.00	35496.00	31684.00	31684.00	31684.00	31684.00	31684.00	67386.50	67386.50	5863.50	63250.00
		1623.89	1656.56	1983.33	2927.33	3007.67	3491.67	3491.67	3007.67	3007.67	3007.67	3007.67	3007.67	5863.50	5863.50	3431.22	63250.00
		16238.89	16565.56	19833.33	29273.33	34916.67	34916.67	34916.67	29273.33	29273.33	29273.33	29273.33	29273.33	63250.00	63250.00	38927.22	63250.00
	<b>C</b>	No further IT/NICS	No further IT/NICS	No further IT/NICS	No further IT/NICS	No further IT/NICS	No further IT/NICS	No further IT/NICS	No further IT/NICS	No further IT/NICS	No further IT/NICS	No further IT/NICS	No further IT/NICS	Add'l Tax	Add'l Tax	1238.97	9143.88
3	Tax Savings	<b>A-B(-C)</b>	<b>2869.10</b>	<b>2892.86</b>	<b>3205.36</b>	<b>3830.36</b>	<b>4136.81</b>	<b>4136.81</b>	<b>3830.36</b>	<b>3830.36</b>	<b>3830.36</b>	<b>3830.36</b>	<b>3830.36</b>	<b>3760.34</b>	<b>3760.34</b>	<b>1364.53</b>	<b>1364.53</b>

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