



Budget 2017

Contractor Essentials

Introduction

Coming hot on the heels of some very contractor unfriendly announcements and, it has to be said, unfounded rumours in the quality press, you would be forgiven for watching today's Budget from behind the sofa. But thankfully, it turns out, at least from a contractor's perspective, things could have been much, much worse.

The much-vaunted rumour that the IR35 changes in the public sector would quickly be adopted in the private sector has proven to be idle speculation, and while NICs are definitely in the firing line, the chancellor stopped short of charging these on dividends, at least for the time being.

I guess you might say that this Budget, whilst not really bad news for contractors, may be portentous of bad news to come. Our opinion is that the impact and success of the IR35 changes in the Public Sector will be monitored closely and at some stage an attempt will be made to implement these in the Private Sector. The commitment to reduce the tax gap between the employed, self-employed and those operating a limited company was also reaffirmed so we can expect, at some stage during this parliament, further draconian measures to be brought in.

Income Tax

The tax free allowance for 2017-18 will increase by £500 to £11,500.

Class 4 NICs

While class 4 NICs do not apply to limited company contractors (the vast majority of those reading this guide), some of our self-employed (sole trader or partnerships) will be affected by this change. The main changes are:

- Class 2 NICs (flat rate charge) to be completely abolished from 2018
- Class 4 NICs (based on income) rate to be increased from 9% to 10% in April 2018 and 11% in April 2019.

Corporation Tax

The main (and no only) rate of Corporation Tax will fall from 20% to 19% in April 2017 and then again to 17% in April 2020.

Dividend Allowance

The tax-free dividend allowance will be reduced from £5,000 to £2,000 in April 2018. This is part of the Treasury's commitment to reduce the tax differential between the employed and self-employed.

Making Tax Digital

MTD is being postponed for one year for unincorporated businesses with turnover below the VAT threshold of £81,000.

Off-payroll Workers in the Public Sector

Although not mentioned in the Red Book, HMRC today also published a policy paper entitled *Off-Payroll Workers in the Public Sector: Changes to the Intermediaries Legislation* which effectively brings into law the changes announced in the Autumn Statement.

The basic premise of these changes is that the responsibility for deciding the employment status of a worker will now rest with the end client or the recruitment agency, rather than the contractor. We expect that the vast majority of contractors will be viewed as employed under these rules and will be forced either to move into a staff role or operate via an umbrella company.

Find out more

Contact us

w: www.broomeaffinity.com

t: 01324 464510

e: info@broomeaffinity.com

About the Author

Alan Broome founded the contractor accounting firm Broome Affinity in 2007. He has been specialising in accounting and tax planning for contractors, freelancers and interim consultants ever since. Alan and his team provide focused services delivered using market leading technology in a friendly and informal way.