

## THE BOTTOM LINE

By Darren Fell, Brighton-based managing director and founder of Crunch.co.uk, an online accountancy service for small businesses and freelancers.



### It's always the right time to go freelance

**R**ECENT Government tax changes have meant investing in a business to sell later is much more attractive for micro-entrepreneurs. Entrepreneur's relief at 10% now covers personal gains up to £5 million instead of £2 million. The move was welcomed by the Federation of Small Businesses as it means entrepreneurs intent on building businesses before moving on have more of an incentive.

For me, this makes it really attractive to build businesses in the UK. Not only is it an excellent place to set up a business, it now has one of the better capital gains rates in Europe, which should help stop the "brain drain" of entrepreneurs. Life should become easier for freelancers, contractors and independent consultants as well.

Research by the Professional Contractors Group, a trade association for freelancers and contractors, shows this flexible workforce adds billions to the UK economy. The number of freelancers has increased by 14% in the past decade and freelancers in managerial, professional and semi-professional occupations contributed £82 billion to UK GDP in 2008. The research showed that if these freelancers were employees, they would have contributed only £61 billion.

Unlike their predecessors, the coalition Government has recognised the importance to the economy of freelancing and has promised to make the tax system far fairer and simpler. Although it typically only affects contractors working for just one customer, most people have heard about dreaded schemes such as IR-35 legislation created in the banking boom of the 1990s.

Back then the step was simple. To go Limited, create tax efficiency and not pay PAYE any more. An example is the IT staff member who left his desk one day and returned as an "IT contractor" on three-times the salary and half the tax. HMRC created IR-35 legislation to combat it.

However, the legislation is ambiguous and potentially dangerous for a freelancing contractor if accused of owing back tax. A whole industry has been built on ensuring contractors are outside IR-35 legislation, while HMRC has spent millions trying to recover money.

The Government has promised to review IR-35 and the removal of this ambiguous legislation could free up freelancers to get on with providing flexible, cost-efficient and valuable services. More importantly, it would allow more people to go freelance without fear of an IR-35 investigation.

Freelancers are hired at the start of projects and finish when the project does – which is perfect for companies using them. While these changes will make it easier for entrepreneurs and freelancers, I personally feel it is always the right time to go independent.

Being your own boss is one of the most empowering things you can do. Once you realise you are capable of accomplishing something, you get a taste of what it feels like to be truly independent.