

EXCLUSIVELY FOR CONTRACTORS

MONTHLY GUIDE SEPTEMBER 2001 ISSUE 49



PCG STILL TRYING

If you believe the publicity, PCG are going ahead with their application to the Court of Appeal in a last ditch attempt to overturn IR35. Don't get too carried away, - it is not the case. If you remember when the Judicial Review was decided in favour of the Government, the Judge although administering a rap on the knuckles to the Inland Revenue for the heavy-handed way in which they had implemented the legislation came down very firmly for the Government. He actually refused PCG permission to appeal his decision. So, what PCG are actually doing is applying for leave to appeal. If PCG are successful with their application we can expect a few more months of hype before the Appeal itself takes place.

As you know by now our view which we expressed several months ago is that if PCG has a future then it should be as a lobbying group aimed principally at the Opposition Parties as part of a long term campaign to reform IR35 and also as a campaigning force within the industry to persuade agencies and their clients that flexibility of contracts is in everybody's interest. Let's face it, as market conditions get tougher (see the article below) it will be a difficult task for contractors to persuade agencies and their clients to change working relationships so that contractors would be taken outside IR35.

Our information is that PCG were so personally vindictive against Dawn Primarolo that their campaign to obtain public support against the legislation was counter-productive. This should have come as no great surprise because a new Government with a majority of nearly 200 is unlikely to have been intimidated by a group representing a membership which is generally perceived to be pretty well off.

We think that there are basic unfairnesses in the IR35 legislation, which should be addressed by the Government, but we are concerned that some contractors still believe that IR35 will be repealed. It will not be! The best that we can hope for is some amendments but these will be arrived at by sensible negotiation and not by PCG trying to knock down the Government's castle. Hopefully leave to Appeal will be refused but if it is granted do not think that this is the start of the repeal of IR35.

CONTRACTOR RATES CUT

News is coming through that Hewlett Packard and Credit Suisse are planning to reduce rates paid to contractors by about 10% with immediate effect. This followed the announcement by HP that it was intending to reduce its work force by 6,000 worldwide before the end of the year. Shortly after this came the details of its surprise takeover of Compaq.

EURO CASH

How many of you out there are hoarding surplus holiday cash that you have accumulated over the last few years? Don't forget that in January next year new Euro notes and coins will begin to circulate. For a short period of time the new currency will be used alongside all of the old national currencies. In France the franc will disappear by the 17th February but the majority of the European countries that have adopted the Euro have a deadline of the end of February. Ireland for some reason intends to phase out the punt by 9th February.

After this, payment for goods and services will only be in Euros. Banks will exchange the old currencies but will not do this indefinitely. The likely "closing" date is the end of June next year. It is likely that the banks will charge for this service as well.

FIVE CANNIBALS

Five cannibals get appointed as programmers in an IT company. During the welcoming ceremony, the boss says, "You're all part of our team now. You can earn good money here, and you can go to the company canteen for something to eat. So don't trouble the other employees." The cannibals promise not to trouble the other employees.

Four weeks later, the boss returns and says, "You're all working very hard, and I'm very satisfied with all of you. However, one of our cleaners has disappeared. Do any of you know what happened to her?"

The cannibals disavow all knowledge of the missing cleaner. After the boss has left, the leader of the cannibals says to the others, "Which of you idiots ate the cleaner?"

A hand is hesitantly raised.

The leader of the cannibals says, "You fool! For four weeks we've been eating team leaders, managers, and project managers so no one would notice anything, and you have to go and eat the cleaner!"

RED TAPE

Tony Blair doesn't like Red Tape apparently. It has been reported that he has specifically told all of his newly appointed Government Ministers to make efforts to cut through red tape associated with the regulation of business. This will come as something of a surprise to every professional operating in pretty well every area who has noticed increasing amounts of red tape since "New Labour" came to power over four years ago.

Those of you currently suffering from IR35 will greet the Prime Minister's initiative with a hollow laugh.

STAKEHOLDER PENSIONS

For most of you this is not an issue but this is the last time that we will have the opportunity of reminding you that if you have a company which employs five or more people then you are obliged to provide a Stakeholder Pension Scheme by the 8th October 2001.

If you do not have a suitable scheme available for your employees by this date then you could be subject to a fine of up to £50,000.

WATCH OUT FOR INTEREST RATE CHEATS

Building Societies and Banks are at it again,- in fact they have never stopped. Regular readers will remember that we have alerted our clients on several occasions to make sure that they check the interest rates that they are receiving on the accounts that they have and which are basically locked up and forgotten about. Typically these represent smallish amounts ranging from a few hundred pounds to a few thousand pounds which are quite often invested for a child while they are growing up.

What normally happens is that the investor is persuaded to put the funds into an account, which is paying a good rate of interest at the time that the deposit is made and which is probably being advertised heavily in the press. After a year or two (although it seems to be happening much quicker now) the interest rate is reduced. Surprisingly (!) the same fanfare of publicity that accompanied the launch of the account is absent and how many people read the pile of literature which accompanies annual statements? Well, it's good to see that the Woolwich has been ordered to pay compensation to its customers for unfairly slashing interest rates on one of its most popular saving accounts. The Banking Ombudsman has ruled that the Woolwich broke the rules by cutting the rate paid

on its Prime Gold Account by more than the Bank of England Base Rate. This account now pays the princely interest rate of 0.3% p.a. which compares with a very small discount to base rate that it used to pay.

At the same time the Banking Code Standards Board is planning its own clampdown on banks and building societies who launch new savings accounts at attractive rates only to reduce them later.

About time too but the message to you all is clear. If you have an account that you do not use on a regular basis then check what interest rate you are receiving on it.

WORKSHOPS

Many of you attended our workshops in the early summer and we will continue to hold these during the autumn. The actual implementation of the IR35 legislation has thrown up several anomalous situations. We have agreed practical solutions with the Inland Revenue to deal with these and so these workshops will cover new ground.

Please complete the response sheet for your chosen date and please advise us of any friends or workplace colleagues that you would like to attend with.

The programme is as follows:-

At our London Offices

Tuesday 9th October, Wednesday 24th October, Tuesday 13th November, Tuesday 27th November

At our Reading Office

Wednesday 10th October

All workshops commence at 6pm and all are limited to 8 persons only. So, it's first come first served and so please advise us if you wish to attend as soon as possible.

NOTE:

Would you prefer to receive your Newsletter by email?

If you would rather receive your Newsletter electronically in the future then please send a note of your preferred email address to evanj@wheawill.co.uk

Past Newsletters are available on our website at www.wheawill.co.uk

GORDON MORRISON / RICHARD HAYNES / PAUL CROZIER / IAN ROSS
LONDON OFFICE
MOUNTBARROW HOUSE, 12 ELIZABETH STREET, LONDON SW1W 9RB
☎ 020-7730 8995 FAX: 020-7824 8108
EMAIL: gordonm/richardh/paulc/ianr@wheawill.co.uk
WWW: www.wheawill.co.uk

THAMES VALLEY OFFICE
CAVERSHAM HOUSE,
4 GOSBROOK ROAD,
READING,
BERKSHIRE RG4 8BS
☎ FREEPHONE 0800-590873

MARY HURST
COMPANY SECRETARY
12 ELIZABETH STREET,
LONDON SW1W 9RB
☎ 020-7730 0883
FAX: 020-7823 5953

IAN HEMSWORTH
HUDDERSFIELD OFFICE
PO BOX B30,
35 WESTGATE,
HUDDERSFIELD HD1 1PA
☎ 01484-423691
FAX: 01484-518803

Authorised to carry on investment business by the Institute of Chartered Accountants in England and Wales