

Written evidence submitted anonymously

As a freelancer largely excluded from the government's Covid-19 income support schemes - and having had a total of just 5 weeks' work in 10 months - this is an issue that is having a devastating impact on my life. It's so important for me to be able to share my testimony with you.

I also have a strong and original verified solution for the sub-set of excluded taxpayers that I fall into - one-person limited company directors. For ease I have called it the "Sole Directors Grant" (SDG) and it is an easily implementable solution that explicitly addresses Treasury's stated concerns and is very low fraud risk.

I wish to share this solution with you in the hope that it can be presented to the Chancellor and Treasury alongside other bespoke solutions for other excluded sub-groups: thereby ensuring ALL those excluded from meaningful support can now receive fair and equitable support. Please find my "Sole Directors Grant" (SDG) solution attached.

As context: I previously submitted in-depth testimony, analysis and suggested solutions to you within one of your earlier calls for evidence, in May 2020. Alongside that, I've spent months independently lobbying on this issue on my own time and submitting testimony and solutions to government, committees, trade bodies and financial journalists since April 2020.

However, we are now 10 months into the pandemic and the government has done nothing to put this injustice right and have knowingly allowed a huge number of us to continue to suffer greatly.

I am shocked and distressed witnessing how hard it is to convince the government to do the right and compassionate thing by its own people, despite overwhelming efforts and data to do so - there is clearly something deeply wrong with this system.

Following recent developments, I truly welcome the work of the APPG, Tracy Brabin, ExcludedUK, ForgottenLtd and others in pushing forward solutions such as the TIG and DISS, and am heartened by the momentum these are gathering. However, I am frightened that - even if these are implemented by government - they will persist in applying arbitrary limitations, I will still fall through the cracks and be doubly-excluded, left behind to suffer further pain and damage.

SUMMARY OF MY SITUATION:

I'm a creative freelancer - mainly in TV production - operating as a one-woman limited company. As mentioned, I've had a total of 5 weeks' work in 10 months as a direct and ongoing result of lockdowns and restrictions, and I've largely and arbitrarily fallen through the cracks in government support.

MY FINANCIAL SITUATION:

I am receiving nominal furlough of around £575pm, i.e. 80% of my PAYE salary. This covers less than a quarter of my basic household bills and food. As a business, I received a £5k discretionary local council grant in July 2020, but that could only go so far.

I still have ongoing business costs, previous year's corporation and self-assessment tax bills, high mortgage repayments as a Londoner, bills and food to pay for.

I am ineligible for UC as I have some money saved for tax bills, urgent repairs to my crumbling home and towards my pension as I have no employer paying into a pension scheme for me.

Even if I had been eligible, all the online benefits calculators show that as I have a mortgage rather than rent, I would only be eligible for a total of £200 UC per month - nowhere near enough to cover basic bills and food.

I am using a credit card and have taken a bounce back loan. I am getting mired in debt rather than receiving fair, meaningful and equitable support.

INJUSTICE:

Meanwhile, peers - in similar roles, earning similar amounts or more, paying similar tax, who haven't fallen through arbitrary cracks, are receiving £2,500 every month, more than 5 times the support I've had. Some have also received £10k grants for premises (including those with second homes). Employed peers are receiving 80% of their income regardless of how high their salaries, including the very wealthy. All of their life or pension savings remain intact, while I am forced to exhaust mine and get ever-deeper into debt.

It's important for me to also say it's been well documented that BAME women are particularly economically and medically disadvantaged by Covid. As a BAME woman put in a vulnerable position by being excluded from equal support for no genuine reason, I really do fear for my future.

PERSONAL IMPACT:

There is no end in sight to lockdowns / restrictions, and it will take months if not years for the creative sector to recover. I have no idea when I will next get work. I am rationing food and heating, and am frightened and in despair about what will happen to me in the weeks and months ahead.

I am also deeply hurt and depressed that our government - whose purpose is to serve and protect its people - seems to be punishing and rejecting me, along with a significant proportion of the UK population, by ignoring our calls and wilfully denying us equitable support.

COUNTERING MYTHS AND EXCUSES:

"Tax Dodgers":

The government implies I pay myself primarily in dividends to avoid tax. This is a MYTH - perhaps a hangover from 20 years ago, in the same way that those on benefits are wrongly and lazily characterised by some as "scroungers" who are "living in luxury" on taxpayers' money: there is a lack of basic facts or compassion in both caricatures.

In fact: I pay corporation tax and dividend tax. The minor tax advantage is swallowed up by the costs of covering my own holiday pay, pension, insurances, etc and the countless unpaid hours I put in to secure work. I only became a limited company on the advice of my accountant because a lot of production companies prefer to hire freelancers this way.

Even if I can't convince the government on this, I operate firmly within the letter and spirit of current tax law: when did it become acceptable for the Treasury to retrospectively punish a group for adhering to lawful tax rules that they no longer happen to favour? Or to base financial policy on misplaced moral indignation?

And even if the Treasury or HMRC chooses to maintain that we've paid less tax than we should have on those dividends despite the contrary evidence, by that logic we should be entitled to a PROPORTIONATELY LOWER grant based on FULL INCOME: so what is the logic for providing NOMINAL or ZERO?

"Those earning over £50k profits earn on average £200k and don't need help":

As you know, the Chancellor used an average figure, easily skewed by a few very high earners, and has failed to reveal the median figure, despite being asked months ago.

In any case, how can those earning just above the £50k cliff-edge be considered to be in no need of an income?

A £50k household income doesn't go far when faced with the cost of living, especially in London. And, while those earning over £50k may in theory have had enough savings to manage a few months of lockdown, 10 months on, how can anyone be expected to live on a nominal amount or nothing at all?

In my case, my trading profits for the past 3 years are BELOW £50k. However, depending on some interpretations of the DISS, I would be considered slightly above £50k and excluded yet again.

"Helping the excluded is too open to fraud":

As we are now seeing widely reported, ALL the schemes are open to fraud. So it's simply no excuse to continue to exclude us on this flimsy basis.

"Impossible to Differentiate Dividends":

The government says it can't help limited company directors paid primarily by dividends as it's impossible to differentiate between dividends earned from their own business activities and those from passive investments elsewhere. This is UNTRUE.

E..g. I put forward a solution to ministers and business bodies in July 2020 that suggested the attached solution - it applies to one-person limited company directors only, but as ALL those excluded should be helped, I suggested it as part of a range of implementable solutions to collectively cover ALL excluded groups:

ONE-PERSON LIMITED COMPANY SOLUTION - PLEASE SEE ATTACHED PDF FILE FOR CLEARLY LAID OUT VERSION:

STEP 1: As a one-person limited company, my company financial statements state exactly how many dividends were issued *from my limited company*. Therefore, these dividends can *only* pertain to my own company's activity, not from any investments elsewhere, as these are *the company's* accounts. The same document lists me as sole company director and states how much was paid out *from the company* as Director's Salary. These two figures, added up, equal my personal income derived solely from my own one-person company's activity.

HOW: HMRC Corporation Tax department receive this document every year from my accountant. An average of 3 tax years to y/e 2019 - in line with SEISS - can easily be calculated and verified by HMRC.

STEP 2: My Confirmation Statement (formerly called Annual return) confirms that I am the SOLE shareholder of my company. Absolute proof that the above dividends were paid *solely to me*, not to anybody else.

HOW: HMRC Corporation Tax department can cross-reference with Companies House to obtain proof of sole shareholder status: i.e. one single item of admin work required on the part of HMRC and Companies House. Far more onerous checks are carried out by government agencies for other Covid-19 or benefits schemes.

ALTERNATIVE HOW: If for any reason, the government did not wish HMRC to verify one item of data with Companies House records, they could alternatively permit one single element of *non-monetary* self-certification, i.e. claimants to confirm they are sole shareholder or allow our accountants to certify for us. All *actual monetary figures* are held by HMRC.

IMPORTANT NOTE: This solution requires no self-certification or accountant-verification, and therefore is low fraud risk. It also directly contradicts the Treasury's claim that it is impossible to differentiate between dividend income derived from one's own business activity, and that derived from passive investments in other businesses. All it requires is one cross-check between HMRC and Companies House. The policy team at IPSE (The Association of Independent Professionals and the Self-Employed) reviewed this solution and wrote it was "very good and clear", while the CEO of Directors UK (professional body for UK screen directors) has also shared this solution with ministers.

TIG and DISS seem to be gaining most momentum right now and I truly hope they will succeed and solve the issue for us all, but if the government continues to claim it cannot help limited company directors, please could you keep this specific solution in mind as part of a set of bespoke solutions that can cover ALL excluded groups?

ACTION I HAVE TAKEN:

Apart from the months of intense lobbying I have done since April 2020 to try to convince the government to plug the gaps in their support schemes, and putting forward the solution above last July, I have also tried to secure alternative work for my business.

Before the pandemic I had begun diversifying with a second creative line of voice recording work. Since Covid restrictions dried up my main TV contracts, I've striven to accelerate and pivot, as vocal recording is more adaptable to remote, Covid-safe working.

However, to pivot fully and generate income, I urgently need to further upgrade my technical capabilities with specific equipment and marketing assets. If my main work hadn't dried up due to lockdown / restrictions in the first place, or if I hadn't been excluded from equitable government support, I could have invested, fully pivoted, and secured my my business, my livelihood and my future.

Instead, my hands are being cruelly tied and I'm being denied the chance to do my best for the survival of myself and my business.

DISS AND TIG:

I truly hope the DISS and TIG are implemented, and totally understand and appreciate that the idea is to get help for one big cohort of the excluded then negotiate for the rest from there. But I am very frightened I will still be left out and left behind - because some have suggested that in order to align it with SEISS, trading profit and director's salary would be added together and must fall below a £50k cap to be eligible.

In my case, if trading profits alone are the basis, I will be within the £50k limit. Similarly, if my director's salary and dividends are totalled, I'd be within the £50k limit. However, if director's salary is added to trading profits, I will be just over the £50k limit and, once again, excluded.

I don't understand the logic of adding director's salary back to trading profits as it seems meaningless to mix and match between what the company "earns" and what I, as sole director, earn. The company and I are two different entities. Those trading profits do not all come to me as income, even in the form of dividends. Some of that money stays in the company for operating costs I know the business is due to incur in coming months, or to pay corporation tax. Trading profits are not synonymous with dividends.

Also, I worry that if the government implements it this way, they will then wash their hands of the rest of us and say they "have now helped the excluded and done everything we could". They also may exclude those who've received minimal furlough or those who've received small discretionary grants, like me, even though I've still received nowhere near the grant support that sole trader and employed peers have received.

CONCLUSION:

Ultimately, the arbitrary limitations imposed by the Treasury for their original Covid income support schemes are wrong, cruel and deeply damaging.

They are creating another category of haves and have-nots that will have a devastating impact for years to come.

So I truly hope that the government won't half-solve this issue, impose another set of arbitrary limitations, and leave some of us excluded again. I know I'm not the only one afraid and hurting at the prospect of being doubly-excluded.

I hope you can take my perspective and experience into consideration, and want to thank you so much for everything you are doing to try to put this right.

February 2021