

Written evidence submitted by Amanda Evans

I write to ask – why the owners of micro limited companies have been targeted for exclusion from Income Support? These owners are individuals who have taken the risk to walk away from the security of Employment, in the same way as the Self Employed – and have set up as Limited Companies as advised by their accountants. There is no tax dodging involved – tax efficiency is totally different. Based on an income of £30k for the purposes of the income support being given, there is a mere £661 difference in take home pay.

Dividends can be easily determined in a trail online between Companies House and the individual's tax return. If the last three years had to be re-submitted with additional boxes added to it, this could solve the issue. Additional information in the Dividends section – Company Name (will match Employer's name), Company Registration Number, Percentage of ownership/number of shares (can be confirmed at Companies House), and dividends from that company. Other Dividends in the majority of cases will be Nil. Problem solved. The three years average earning shown on the SA302 can then be used to calculate the taxable grant – and paid to the Company to be taken as either salary or Dividend. Furloughing a director/owner of a business is irresponsible – they have to be able to get work for the future, in order to save jobs, for themselves and for many of these businesses, their furloughed staff to return to. The IoD have supported Directors and are lobbying for them to be given income support.

Many businesses are not entitled to any other help with grants, as they work from home. Yet they still have overheads to cover whilst unable to generate an income. Many will still not benefit from the discretionary grants. Debts are not the solution these loans do not allow personal income to be covered. All they would be doing is incurring debt, and the income they generate later will be to clear the debt before they can pay themselves. Driving them personally into debt too. There will be a negative effect on mental health here too.

Although there has been some great generosity shown by the Government during these unprecedented times, it seems that there has been too much given and not enough capped. For example – the income support for the Self Employed was capped at £50k. Yet the Employed earnings were not capped. There was also no cap per household for what could be claimed. So an employed person and a self employed person living as a couple, could receive £5000 per month (or indeed an employed couple). Along with a mortgage holiday. The JRS Claimant itself was not capped from claiming on the JRS – this could have been set at a £250k balance sheet. Those on benefits also received an increase of £1000 per year. All this - some unnecessary support, and nothing for the tax paying individuals who simply run under a different and perfectly legal structure, being the Limited Company. These small businesses now look set to fold, and millions of jobs lost. Why is our tax paid worth less than tax from Employment and Self employment?

A letter was sent to the leaders of the three major Parties from myself and 342,000 petitioners on 6th May 2020, and delivered to you also by Change.org, highlighting our plight and lack of support from the Government. This has also been sent to this Inquiry, and copied below. We look forward to the Government's response to this letter, and your response to my submission to the Treasury.

Yours faithfully

Amanda Evans

Director

To: Boris Johnson, (PRIME MINISTER)
May 2020

Date: 6th

To: Keir Starmer, (LABOUR LEADER)

To: Ed Davey, (LIBERAL DEMOCRAT LEADER)

Letter to the Government – Small Limited Companies Excluded from Government Support – Covid-19 Crisis

We ASK YOU Boris Johnson, Keir Starmer, Ed Davey, HM Treasury, HMRC - the Government, to acknowledge that Dividends received by the directors of micro entity Limited Companies CAN and WILL be differentiated from that of other Investment income (which in nearly all cases doesn't exist).

Jonathan Geldart of the IoD wrote to MP's in his press release of 17th April, saying, **"Include company dividends earnings in income support"**.

<https://www.iod.com/news-campaigns/press-office/details/IoD-calls-on-MPs-to-support-small-company-directors>

Mr Geldart, in his article in the Daily Telegraph dated 9th April 2020, points out that we Small Limited Company Director/Workers are:

1. TWO MILLION PEOPLE RUNNING THEIR OWN BUSINESSES
2. NOT THE "FAT CATS" THAT THE WORD "DIRECTOR" CONJURES UP
3. THAT SOME OF US HAVE PUT A LIFETIME OF EFFORT IN TO OUR SMALL BUSINESS - WHETHER FOR EXAMPLE THAT'S AN, ACCOUNTANT, SOLICITOR, IT PROFESSIONAL, DESIGNER, ARCHITECT, PHOTOGRAPHER, ELECTRICIAN, PLUMBER, CARPENTER, ROOFER, BUILDER OR CAMERAMAN, to name but a few
4. THAT MANY OF US TAKE ONLY THE BARE MIMINUM IN PAYE SALARY AS OUR INCOME IS ENTIRELY DEPENDENT ON THE BUSINESS WE CAN DRUM UP, AND ONLY TAKE INCOME AS DIVIDENDS WHEN THERE IS A PROFIT
5. THAT MANY OF US ALSO, WHO ARE NOT PAID THROUGH PAYE, ARE PAID FULLY BY DIVIDEND ONLY AS OUR INCOME, IS ENTIRELY DEPENDENT ON THE BUSINESS WE CAN DRUM UP, AND ONLY TAKE INCOME AS DIVIDENDS WHEN THERE IS A PROFIT
6. THAT THE GOVERNMENT'S RETENTION SCHEME DOES NOT COVER DIVIDENDS LEAVING US "HIGH AND DRY" AND THAT THIS NEEDS TO CHANGE
7. ANY DIFFICULTY IN SEPARATING DIVIDEND INCOME FROM INVESTMENT INCOME FOR SHAREHOLDERS IS SUMOUNTABLE AS A PAPER TRAIL EXISTS
8. EVIDENCE OF OUR DIVIDEND INCOME IS IN OUR PERSONAL TAX RETURNS AND DIVIDEND VOUCHERS SO HMRC CAN DEDUCE ELIGIBILITY
9. IT IS BETTER LATE THAN NEVER TO HELP US
10. THAT THERE IS SIMPLE SOLUTION AVAILABLE HERE FOR GOVERNMENT WHICH IS THE "PAY FIRST, CHECK LATER" OR THE "CLAW-BACK METHOD", ALSO PROPOSED BY MEL STRIDE MP AS A SOLUTION TO FIND FAIRNESS.

11. IN RECENT YEARS, ANY TAX ADVANTAGE HAS BEEN TAKEN AWAY FROM US SO THAT THIS SHOULD NOT GET IN THE WAY FROM PROVIDING SUPPORT TO US
12. THAT TO SPEED UP THE RECOVERY- WHEN IT COMES - WE ARE NEEDED TO KEEP THE UK'S ENTREPRENEURIAL SPIRIT ALIVE AND KICKING

Accountants can easily verify this in a straight-forward income support grant for 80% of our declared income or Company profits up to £2500, and the ability to work in line with SEISS, and claw back later should any erroneous claims be made.

Treasury Select Committee - We thank Mel Stride for placing pressure on the Treasury and fighting our corner and await the proposals Mel Stride requested from Beth Russell to support the #ForgottenLtd.

Treasury Select Committee - Andy Chamberlain - IPSE Director of Policy was charged by Mel Stride to come back with their (IPSE) proposed solutions. Thanks to Andy Chamberlain and Mel Stride.
<https://www.parliamentlive.tv/Event/Index/2e7222ab-76b1-48b6-bbe0-52e5203d5293>

Paul Scully – Business Minister – asked for our proposals as to how dividend income could be factored into Income Support for us – and this is our response - and to point out that dividend income does not currently exist for us, given the pandemic.

Currently many Directors who pay themselves a small salary, will only receive £585 per month under the JRS, which is not enough to pay our business expenses, let alone put food on our tables. And even worse, those Directors who take no PAYE salary, get nothing.

We are told by the Government to apply for Universal Credit, which takes into account Dividend income, and is minimal at best, if you qualify. We are mostly one or two-person-bands, working from home – no other grants are available to us. We ask for fairness and to receive proper Income in exactly the same way as other self-employed people.

Evidence of support for our plight is growing with OVER 341,000 Supporting THE CHANGE ORG PETITION, through the EARLY DAYS MOTION #351, which has increased to 44 MP's – we are actively asking our MP's to sign this EDM, to show their support.

https://edm.parliament.uk/early-day-motion/56824/support-for-small-limited-companies?fbclid=IwAR141XR-u4_CC3e8iRKpjYTZDsShxaHBHKP2skNh2cjfd6QmDSTVTAfUQ3M

Within the 20% tax bracket, there is very little advantage of earning through dividends. Based on, say a **£30k** limit for Covid19 purposes – the difference is £661. The reasons individuals take this route for their business are circumstantial, including protecting ourselves from unlimited liability, and NOT to avoid paying tax to the Government.

We do not appreciate and find it an outrage being CALLED “**Tax Dodgers**” when OUR structure is perfectly legal and operating to HMRC rules, when in fact, we contribute **2.2 Trillion pounds** in tax year-on-year to the economy, employing **16.6 Million people** through our drive, selfless sacrifices, and ethical approach to the way we work.

A case in point: Lord Adonis supported Lord Agnew's comment that our dividend was not income and tweeted that

*“Agnew right to say that HMG will not compensate People in Covid-19 Schemes who take income in the form of dividends – **they are mostly tax dodgers and they chose to do this**”. This unfair comment on social media was upsetting to hard working and tax paying director/ workers.*

We are **deeply saddened** that first we were shut out of any substantive income support by government - and then were told that we are tax dodgers. We **WERE** all in this together before this pandemic when we paid our taxes and collected VAT. Although not **NOW**, as unlike the rest of the

self-employed, we have been left behind. We SMALL company director/ workers ask government to provide us with **GRANTS WHICH WE NOW URGENTLY NEED - AND NOT DEBT – BEFORE THAT IS WE ARE FORCED TO CLOSE DOWN.**

Dividend income is included as part of any financial questionnaire where applications for Universal Credit, Mortgages, University Grants are concerned. Therefore, Dividend income should **NOT** now be **EXCLUDED** for income support when it is MOST needed during this CRISIS.

Two Million Business Owner Directors, and their staff will be adversely affected by not receiving the same income support that 95% of the rest of the UK are receiving. Their furloughed staff will be laid off or, made redundant – this has already begun – we are already seeing evidence of this in other sectors. We reiterate, many of us are a One-Person-Band Director/WORKERS and that we too are self-employed. Not only will the economy hit depression when our businesses collapse and jobs are lost, millions of individuals will also hit depression not knowing how they will feed their families and pay their bills. Loans are NOT the answer, they are NOT viable and are unacceptable - we need INCOME support just like the Self-employed, NOT debt. Financially, like other sole traders, we small limited company Director/Workers are only as good as our last month's income.

We ask you to take note of Mel Stride, Ed Davey, Jamie Stone, Andy Slaughter, Harriet Harman, Jonathan Edwards, Jim Shannon, Alison Thewliss', Andrew Selous and Caroline Lucas's support - amongst many other MPs -who support our request to government for income support on the same basis as the rest of the self-employed. Support these Directors who in turn will be enabled to continue to support their company, and just as important, support their workers through these unprecedented times before it is too late.

This is a crisis within a crisis, we implore you to listen and take the right and proper action for fairness to all Small Businesses.

We call on you Boris Johnson (PRIME MINISTER), Keir Starmer and Ed Davey (THE LEADERS OF THE LABOUR AND LIBERAL DEMOCRAT PARTIES), HM Treasury, HMRC - The Government - to do the right, fair and proper thing. This is a cross-party issue for fairness. Please acknowledge receipt of this letter and await in anticipation of your response.

Yours sincerely

Amanda Evans, Mike Evers and Adrian Silk

on behalf of 341,000 Change.org Petitioners

May 2020