

Written evidence submitted by Dr Jennifer H Cearns

I am a self-employed academic researcher and classical soprano, and have been for the past 7 years. I have paid income tax (through the Self-Assessment scheme) throughout that time. I have never earned over the £50,000 threshold as a self-employed person.

In the year 2017-18 I was conducting my doctoral research in the United States, and during that year, I was paid more than 50% of my total earnings through a limited company, of which I am director. The company consists of just me, and **has not had any income go through it in almost 2 years** now. It **does not even currently have a bank account**. In 2017-18, however, I had minimal income from my self-employed music-making, as I was abroad for most of the year, and thus the majority of my income came through my Limited Company, which was mostly money earned from a one-off, 3 month research contract. In most of the years prior and since, I have in fact earned the vast majority (in most cases 100%) of my income as a self-employed individual, as opposed to through a company. Furthermore all of my income through the Limited Company in 2016-17 and 2017-18 (approximately £14k each year, we're not talking high earnings here) was then taxed through my Self Assessment, as a self-employed individual, rather than corporate tax. Given I barely exceeded my tax-free annual earnings in either year, then, we can safely conclude that in each of these years I paid the same amount of tax (relative to my income) as any other self-employed individual.

I feel it pertinent to add that the avenue of taking income through a Limited Company was also not by my design. Various government officials have cited the Limited Company 'route' as one to avoid paying income tax, yet in my case, I have only ever taken income through my Limited Company when a client has refused to take out a contract with an individual. It has been made very clear to me that this is a strategy on their part to avoid responsibilities pursuant to an employer under IR35 rules.

The first employer I worked for who imposed this requirement so as to avoid HMRC rules was, ironically, the Civil Service in Whitehall itself, for whom I worked as a consultant researcher in 2016. As you may be aware, the Civil Service requires contractors to be paid through a Limited Company (and also via an external employment agency or agencies) so as to avoid any requirement of conducting Civil Service recruitment procedures, potential entitlements to a Civil Service pension, or the relative expenses of sick pay, holiday leave, maternity leave, etc. **If Government itself colludes in and benefits from the avoidance of IR35 rules, they are, in my view, in a very weak moral position in seeking to enforce them, especially at the expense of low-income earners like me.** My decision to open a Limited Company in 2016 was solely due to these restrictions, and was presented to me at the time as a compulsory measure that I was required to take in order to be able to take up the short-term contract (6 months) that I had been offered by what was then called UK Trade & Investment.

I would like to stress, therefore, that my having income via a Limited Company is not a tactic for earning more and paying less tax, but rather an unfortunate inevitability of the increasing neoliberalisation of worker rights within the sectors I work in. This is something I believe government should be targeting as problematic within our society, rather than exacerbating further. Self-employed people in these fragile sectors (research; higher education; the arts) were already those made most vulnerable by increasingly neoliberal employment practices prior to the pandemic, compounded by being hit hardest by the effects of national lockdown. The decision not to support a significant proportion of us economically throughout the lockdown has therefore been a double blow, imposed directly by central government.

As a result of the government's decisions

- a) to only support those who had >50% of their earnings in 2017-18 from self-employment,
- b) not to provide support to directors of limited companies (regardless of how little that income may be, or whether or not these companies even still exist) and
- c) to only consider data from 2017-18 (in my case),

I have now had no earnings and no financial support through any route since the end of February 2020. I have drained the majority of my savings, and am very unlikely to earn again this calendar year, given universities and concert venues will be some of the last places to resume normal business.

Meanwhile I have seen most of my colleagues, who in fact already earned more than me prior to the pandemic, receive 80% of their income in governmental support. This strikes me as deeply unfair, and has been the cause of considerable stress. HMRC advised me that I would be eligible for one form of support: 'tax relief', but I fail to see how this will help, when **the tax due on £0 of income is, in fact, £0.**

I have had to depend entirely upon the financial support of friends and family – something I feel deeply uncomfortable with – and I strongly suspect the financial impact of this will have put me back almost a decade in my own sense of economic stability and prosperity. This in turn will have stark effects upon my life, including decisions about where to live, whether or not to continue in my current careers, and possibly even decisions regarding having children.

It is my opinion that the government should have adopted a more nuanced means of determining who was in need of support, including:

- a) Checking if the limited companies in question actually had money going through them in the past calendar year prior to the pandemic;
- b) If so, how much income, and whether that is actually akin to being a 'high earner';
- c) Whether or not this income was then taxed as individual self-employed earnings or through corporate tax

In my own case, the answer to all 3 of these questions is a resounding 'no', which is why I strongly feel I should have been eligible for governmental support and that the government needs to review their policies and the subsequent impact this is taking on over 3 million people across the country, now uniting under the banner of #ExcludedUK.

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