[YOUR CONTACT DETAILS]

Dear [YOUR MP’S NAME],

**Planned changes to tax reporting and the abolition of Class 2 National Insurance**

As a resident in your constituency, a self-employed author, and a member of the Society of Authors, I am writing to you to express my concerns about the ongoing uncertainty, and likely negative impact on authors and other self-employed people of changes to the tax regime for freelancers proposed in the Finance Bill 2017 and the Spring Budget Statement.

The three pieces of draft legislation that will hit authors particularly hard are:

* Making Tax Digital (MTD), with its demand on businesses and freelancers with turnovers more than £10,000 to file a quarterly tax return.
* The abolition of Class 2 National Insurance contributions, which will lead to a fivefold increase in the cost of pension contributions for freelancers earning (at present) less than £5,965 per year.
* 1% increase in Class 4 National Insurance contributions for self-employed workers from 2018, with a further 1% increase from 2019.

Having seen the Government act swiftly on the concerns of self-employed workers, when they withdrew plans to increase the rates of Class 4 National Insurance contributions (15 March 2017), we hope that they will continue to understand the impact of their wider tax reforms.

Even among tax professionals there is currently a great deal of uncertainty about exactly how or whether MTD will work, and the chair of the Treasury Select Committee has said that the proposed timetable "looks unachievable".

In the meantime, authors like myself, and other self-employed people, are left in limbo - unable to prepare for the changes.

Concerns

I would like to share with you the concerns and recommendations of the Society of Authors, which represents 10,000 writers, illustrators and literary translators across the UK. I ask that you discuss these concerns with fellow MPs, ministers and civil servants. I understand that oral evidence on the impact of the Finance Bill 2017 is still being collected by the Economic Affairs Finance Bill Sub-Committee.

**Timetable:** the current timetable for implementation is widely viewed as too short. As recommended by the Treasury Select Committee, we believe that the current timetable should be extended to 2019 to ensure that any new regime can be properly piloted, and its potential implications understood, with no penalties until it is shown to work.

**Threshold:** MTD will oblige any business or freelancer whose annual income exceeds £10,000 to file quarterly returns. This was the threshold that was originally announced but is being re-considered, with a view to increasing it. Given that the average UK author income is £12,500, this threshold is far too low and is likely to put a disproportionate administrative and expense burden on lower paid freelancers. Remember that this is based on *turnover*, not the profit that remains after expenses have been paid. In line with Treasury Select Committee recommendations, we believe the minimum threshold should be brought in line with the VAT registration threshold of £83,000.

**Increased overheads:** the FSB estimates that the changes will cost the average small business an average of £2,770 a year, in addition to the amounts that we already spend on tax advice. The Government has estimated this is more likely to be “a one-off transitional cost of £280 per business”, but with authors already struggling to make a living from their work any additional expense is likely to cause hardship to many.

**Exemptions:** we understand that HMRC is considering exemptions to the proposed changes. Many authors have variable work patterns and an unpredictable income, which means that some years they may earn significantly more than the threshold but other years significantly less. We believe this will lead to confusion about which years those authors are obliged to file quarterly and when they are not.

**Digital exclusion:** many members of the Society of Authors, although earning from their work, do not possess the digital skills or equipment necessary to engage with MTD, and at this stage in their careers are unlikely to do so. It is unclear what advice, training or additional assistance they will receive to ensure they do not incur unnecessary penalties. It is hoped that those who are digitally excluded through a lack of skills or equipment will not be treated detrimentally, for example with shorter deadlines as happens with self-assessment.

**Abolition of Class 2 National Insurance:** while MTD is set to affect authors earning more than £10,000 per year, those earning less than £5,965 per year will be affected by the abolition of Class 2 National Insurance contributions. These lowest earners currently pay £2.80 per week in contributions that count towards their state pension, opting in to a system that allows them to contribute towards their retirement at an affordable rate despite their modest means. From April 2018, the contributions needed to secure a future pension will increase to £14.10 per week – representing at least 12% of their annual income.

The Tax Gap figures from HMRC report a loss of £8.7bn from mistakes caused by failure to take reasonable care. That is a lot of money, but the numbers for the hidden economy, evasion and criminal attacks add up to £16.2bn. That is almost twice as much due to criminal activity as arises from honest businesses struggling to make ends meet in a complex tax system.

I ask you to consider whether these measures are the best way to narrow the Tax Gap and whether small businesses will be shouldering an unfair burden. Given that these changes are likely to place a considerable burden on many freelancers in your constituency, in particular those on lower incomes, I urge you to do all you can to raise awareness amongst your colleagues of the impact they will have – and to lobby on our behalf for an increase in the MTD registration threshold to £83,000.

If you have any queries about the impact of the changes on writers, illustrators, literary translators and other creative professionals, please do not hesitate to contact the Society of Authors – info@societyofauthors.org.

In the meantime, I look forward to your reply.

Yours sincerely,

[YOUR NAME AND ADDRESS]