

Cash talks and tax receipts say the self-employed are s...

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Late last year I [published an analysis of the rapidly declining](#) average declared income of the UK's self-employed people. The trend was profoundly marked in all available data, just as the same data showed considerable increases in the number of self-employed people in recent years.

There are three basic explanations for this trend. One is that those earning anything above modest sums from their own endeavours now incorporate a company to avoid and maybe even evade tax and as a result the average earnings of the remaining self-employed has fallen. This would make sense if average tax paid per small company was increasing, but it isn't. Nor do the trends in the number of trading companies probably justify such a proportionate claim over recent years, although they definitely did a decade ago. I will be publishing more on this soon.

Second, it is possible the self-employed know the risk of being investigated by HMRC is so low their rate of tax under declaration (and HMRC already estimate more than 40% do under declare) has risen significantly. I think there is a significant chance that this is true, but is not enough to explain the trend.

And third, the income of the self-employed may really be falling rapidly. This, I think is the most likely cause, especially given the current supposed rapid increase in the number of self-employed people who should really be placed in the ranks of the despairing who are being incentivised to move off unemployment statistics by declaring themselves to have this status irrespective of actually having any real income to justify it.

This is an illusion that can be played for a while but the one thing these people will not do is pay tax on non-existent income. That is one of the best available explanations [for the shortfall in government tax income in January](#), one of the two months in the year when the self employed pay their taxes (the other is July).

You can manipulate unemployment stats to pretend growth is shared but cash talks. And here it is being loud and clear: these self-employed people are almost certainly no

such thing and are struggling in poverty in the absence of any other prospect of any sort of support from a state that officially no longer cares.