Bogus tax employments can be identified by a simple ref...

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Paul Mason wrote in the Guardian yesterday:

Trade unions estimate that around half a million of those are bogus and are really working for a single employer, using the status to collude with that employer to pay less tax.

His article was about more than that issue, but he recognised that the fact that this is true (I suspect this is a serious under-estimate, by the way) is an excuse to penalise those who take the real risk of employment which has resulted in the recently proposed NIC rises which were last week's problem for the government. In that case the real question is how to tackle this bogus self employment issue and not penalise those who should rightly be treated as self employed?

The easiest way to do it though, by far, is not to worry about contrived contracts, important as they might be. The best way to tackle this is to change the tax return requirements for all businesses — whether self employed, companies or LLPs - with reported turnovers of less than £150,000. This, admittedly, is the vast majority of such businesses, but so be it.

For these businesses, which will cover almost every single concern hiding a disguised employment, a straightforward request should be added to the tax return, which is that the top ten customers by turnover be declared on the tax return. There are four reasons for doing this.

First, this will require businesses to have such records. I strongly suspect that there are those that do not.

Second, this will of course reveal those with disguised remuneration: there will only be one or two customers in that case.

Third, HMRC can then concentrate effort in the right place.

Fourth, and as is always the case in my thinking on such issues, the chance of being found out will have been increased dramatically, meaning that the incentive to abuse will have been reduced.

And yes, I know cash businesses do not fit in: they should be required to supply a 52 week taking summary as an alternative. That would also be telling.

An extension of flat rate allowances would more than compensate for the effort involved and save a great deal, overall.

I am baffled as to why such a simple logic — which I proposed years ago in a meeting with HM Treasury — still cannot be embraced because if you want to stop such abuse the simplest way is to ask for data on it, and not go round the houses. The fact that we might close a bit of the tax gap as a result is just one of the bonuses that might result. The most important one is that fewer people will be exploited. And after that such a change would also uphold the credibility of the tax system. And that should matter to the government.