

# Hammond finds his answers in attacking his party's supp...

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There are a lot of rumours floating that this is Philip Hammond's last budget. This could be because May won't make it for a lot longer. And it might also be because he seems to have even fewer friends than the average Tory MP right now, not least amongst fellow Tory MPs. But either way he seems intent on sealing his fate. The [FT suggests this morning](#) that he has two big measures in mind that will make George Osborne's pasties and caravans look like hum-dinging successes.

The first is to extend the crackdown on the use of bogus contracting to the private sector. It's already being applied to the public sector. Now Good Old Phil wants to tackle the Tory party's natural supporters amongst the supposedly entrepreneurial who set up their own companies, work for a single large customer, and opt out of PAYE in the process.

You would expect me to support this. And in principle I do, but not the way Old Phil's going to do it. I stress I use the term Old not just because Phil's got a couple of years on me, but because he seems to have advanced by decades in his sixteen months in the Treasury. Some evidence of that is to be found in the fact that he thinks this problem is solved by simply 'clamping down' on it, albeit, and no doubt, with an enquiry at this stage. What he should, instead, be looking at is the hard question of why it arose and what real reform might address the issues that flexible working by many who do provide what do look rather like professional services might demand.

Thankfully for Phil I did that thinking, including some of the hard-ish background justification stuff, a decade ago. So if he announces an enquiry I'll update a number or two and pop [this 2007 report](#) in the post to him. It was being taken pretty seriously, I have been told, in the Treasury in 2008, but then the banks fell off their perches the issue was laid aside for another day. And this is that day, when Phil wants to turn on his natural support by clamping down on them instead of by seeking to find a creative solution to the problem of contracting that ensures appropriate tax is paid that reflects the economic realities of what is happening in this sector, as I offered. [There's a summary of my proposal here.](#)

But in case Phil's worried that alienating another one of his audiences is not enough it sounds like he's doubling his odds by announcing he's also going to hold another enquiry, this time into reducing the VAT threshold dramatically, as proposed by the Office for Tax Simplification. This is, supposedly, a move to raise £2 billion of VAT that is not avoided as it is not due by bringing the UK into line with EU standards just as Brexit is on its supposed way. It will do this by reducing the level of sales at which VAT registration is required from £85,000 a year to about £20,000 a year. In the process the price of many services will rise (Phil knows how to keep people happy); the incentive to evade might increase; and small business admin will go up, considerably. In one fell swoop Phil will alienate millions.

Is there an alternative? Of course there is: I [explained it here](#). What Phil needs to do is crack down on those who don't pay at all instead of making the already compliant pay more. And he can do this by finding the shadow companies that proliferate in the UK economy by securing automatic information exchange of data on all the companies that UK banks supply services to in the UK, and then making sure that each and every one of them submits accounts and tax returns. It would not be hard. [I've even written the legislation for him](#). And if he did this he could beat the cheats and stand up for all his honest business supporters. But he'd rather do the reverse.

No wonder Phil's on his way out. He deserves to be so at this rate.