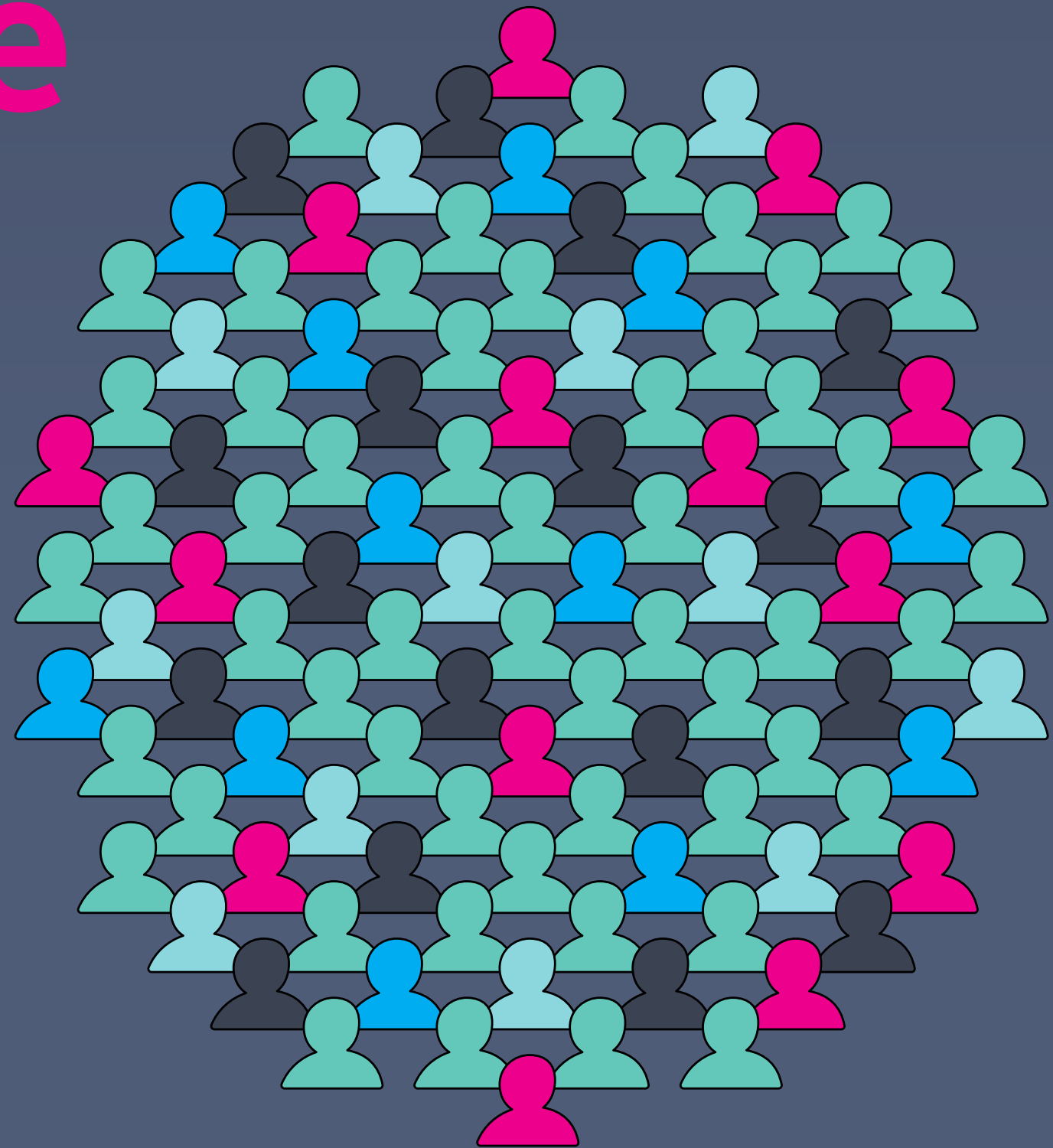


# The **Courage** Economy:

A Manifesto for the  
Self-Employed





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# Foreword from IPSE's CEO



**Derek Cribb, CEO**

With the world of work so often leaving people unfulfilled, **self-employment** offers the antidote to those seeking the **inspiring and rewarding experience** our members know it to be.

But to 'go freelance' is to bet on yourself to overcome the great many challenges that will come your way. It risks that most unbearable of things – failure. It's no wonder those who make the leap are hailed as sources of inspiration by those of us still mustering the courage to do the same.

Without this ambitious streak in our workforce, we would be worse off. They not only add a huge **£330bn in value to our economy**, but also unconsciously **improve our working lives** in many ways. Self-employment fosters the pollination of good ideas and successful strategies across companies and industries; it offers a means for us to balance working life with family life; and it **creates opportunities** for us to convert specialised knowledge and innovative thinking into saleable, marketable resources.

But **the self-employed are being let down** by policymaking that not only neglects their needs, but actively works against their success. From patchy financial support at the height of the pandemic, to the clobbering of one-person limited companies – the UK is drifting towards a careless indifference to those who work for themselves.

**Our vision is for a fair environment** where self-employment is an aspirational and sustainable career choice; a choice which is respected, protected, supported and celebrated by government. With this manifesto, our goal is to highlight how the next government could live up to this vision.

If you're self-employed, I urge you to raise the issues in this manifesto with fellow freelancers, contractors and sole traders, your MP, and with candidates seeking your votes at the doorstep.

With your help, our aim is to **reignite the UK's passion for self-employment**, jolting our political parties into fully embracing the benefits of a thriving self-employed sector.



Derek Cribb



**Why embrace  
the Courage  
Economy?**

# Millions of votes are up for grabs

Being **self-employed** means striking out on your own, earning an income without the safety net of an employer. We celebrate these individuals when times are good – but this fails to translate to political **action on the challenges they face**. Too often, these concerns are dismissed, downplayed or ignored by government.

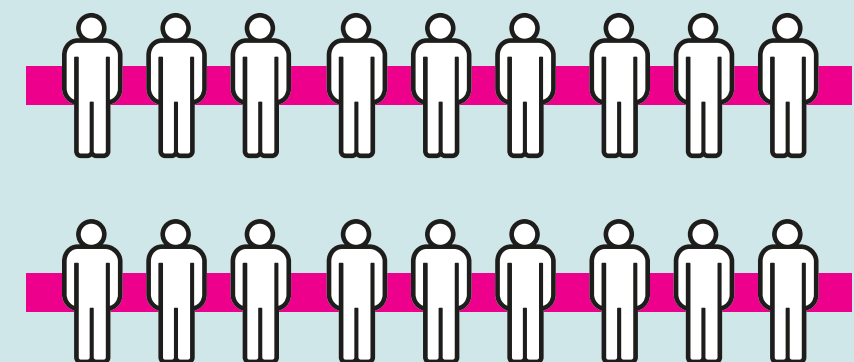
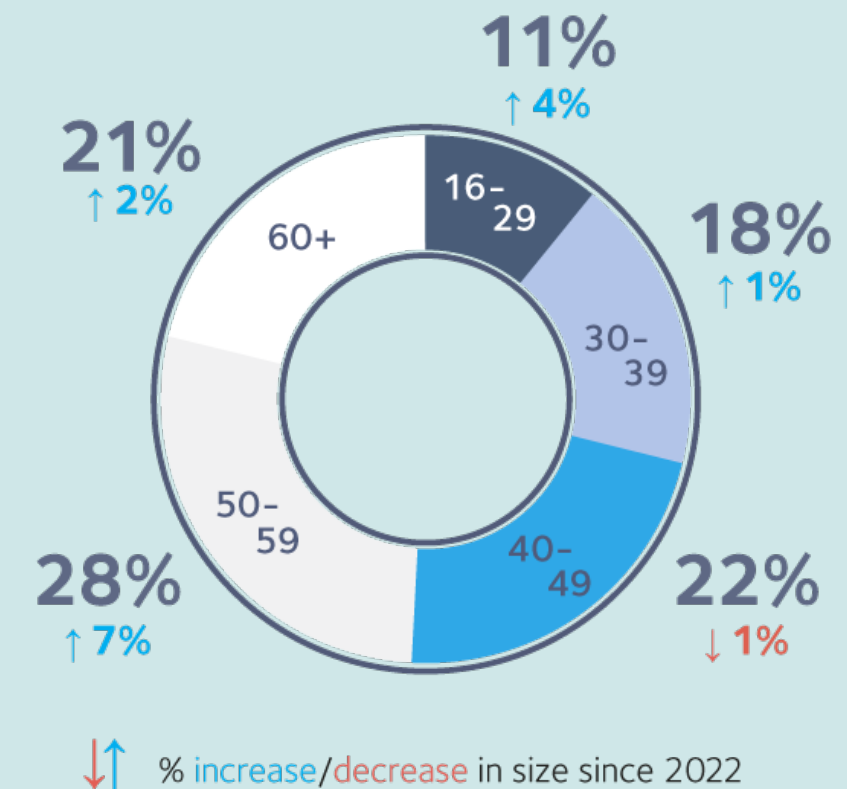
To the self-employed, **their business means everything to them**. The party that fully embraces them with a proper plan to support the self-employed stands to gain the support of **millions of engaged voters** across a diverse range of backgrounds, ages and sectors across the country.

## Who are the self-employed?

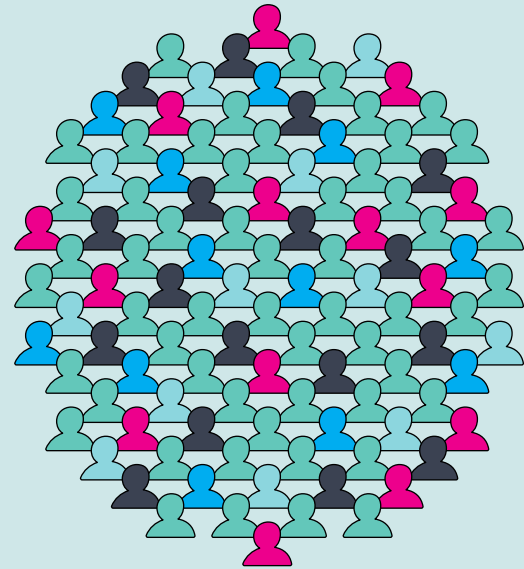
From plumbers and project managers to carpenters and consultants, the self-employed can be found in **every single corner of our economy**.

Not only are the self-employed getting older, the average age now being 49, their skill level is also increasing; just under half (49%) now work in the three most highly skilled occupational categories.

Whether they call themselves a freelancer, contractor, sole trader, consultant, business owner – or just ‘self-employed’ – they share a way of working that puts **autonomy, flexibility and entrepreneurialism** at its heart.







**4,200,000**

The overall solo  
self-employed sector



**£331bn**

solo self-employed contribution  
to the UK economy

## Why have a thriving self-employed sector?

Because it 'works'. The sector is home to at least **4.2 million working people** – still far below its pre-pandemic peak of 5 million. It also appeals strongly to professionals aged 50 and over, who are at the heart of government efforts to boost participation in the workforce – and who account for nearly half (49%) of the UK's self-employed population.

With economic inactivity likely to remain a challenge for the next government, the rebound **potential** of the self-employed sector is a golden opportunity to **boost employment and the economy**.

The self-employed make a **huge economic contribution** through their activities. Importantly, they help businesses to de-risk investments in new projects, recruit specialised talent on a flexible basis, and **grow faster**.

Simply put, the self-employed are the **lifeblood of our economy**.

# Recommendations



# Time to make tax work for the self-employed

Tax has never been an easy part of being in business. But today, the tax system seemingly works directly against the self-employed, **eroding trust** between public institutions and millions of self-employed individuals.

Taxes on company owner's dividends have been **hiked** and tax free allowances **slashed**. Key tax barriers have been ignored, with the trading allowance remaining frozen for seven years and the VAT registration threshold only recently receiving a modest increase.

Government **tax helplines are cut or closed without warning**, making it more difficult to get answers to queries that matter to the business owners asking them.

Loosely written rules purported to tackle 'disguised employment' **too often snare genuine business owners**, leaving freelancers in the dark about where the next trap could be set.

And action taken against those deemed by HMRC to have fallen foul of these rules can be wildly disproportionate and intimidating, **without genuine ministerial oversight over the processes individuals are subjected to**.

The self-employed would rally to the party that reins in our tax regime and puts **trust, transparency and proportionality** at the heart of a reforming agenda. This could be done by attending to a range of unaddressed problems with the tax system.:



# Recommendations

## Remove the self-employed growth ceiling

The self-employed, particularly those in customer facing occupations, are deterred from growing their turnover beyond the VAT registration threshold. After remaining frozen for 7 years, government increased the threshold at the 2023 Spring Budget but not by enough to offset the impact of inflation in that time.

**Government should increase the threshold in the short term, and identify ways to alleviate the disincentives of VAT registration in the long term.**

## Scrap the off-payroll working rules

**The IR35 reforms are anti-business.** They are impenetrably complex and are a barrier to growth. And in a worklessness crisis, they are directly responsible for keeping one in 10 contractors out of work.

The next government has an opportunity to try something genuinely radical that would encourage, not deter, legitimate economic activity and still protect the tax base. Rather than forcing people to work in a way that fits with the tax system, we need a tax system that fits with the way people are working, and will continue to work.

But to do this, **government must scrap the off-payroll working rules and work constructively with industry to find a way to tax work fairly.**



### Andrew Comley

Consultant Naval  
Architect & Engineer

*"The IR35 rules are so complex that even HMRC themselves do not understand them or apply them consistently. What hope does the average business have?"*

*Small businesses like mine are the backbone of our economy, but IR35 is creating serious instability."*





## Incubate the UK's side hustle renaissance

**Increase the Trading Allowance**, which has been frozen at £1,000 for seven years, to £5,000. In 2022, 12% of UK employees already had a side hustle and almost half (46%) were interested in adopting one. Coping with the cost of living, boosting savings and pursuing a passion were among the top motivations.

**Government should endorse and reward those adopting side hustles by increasing the tax free allowance for trading incomes**, incentivising casual freelancers to increase their incomes and letting small sellers keep more of their earnings.

## Make tax easier with Making Tax Digital

**Shelve plans to require taxpayers to send quarterly reports to HMRC** in addition to their annual returns and prioritise reducing the cost of compliance with the new system.

Quarterly reporting is set to add an unjustifiable increase to the time and financial burden of Making Tax Digital. There are clear benefits to a digitalised tax system, but we must ensure that those benefits are not just felt by those who collect the tax – it should make life easier for taxpayers too.

## Modernise employment status rules

The UK's vague and outdated employment status rules have led to never-ending arguments over whether the correct tax is paid and whether individuals are receiving the appropriate employment rights. It also leaves the self-employed struggling to affirm their self-employed status – despite running their own business.

We should move towards **a clearer legal understanding of what it means to be 'self-employed'**. This would enable those genuinely in business to be treated as such, while preventing exploitation by hirers seeking to absolve themselves of their responsibilities.





## Tackle promoters of tax avoidance

**Tax avoidance schemes cynically target the self-employed**, damage the public finances and invariably leave taxpayers with impossibly huge bills to pay. The government has recently introduced legislation to further criminalise promoters which we support, but we believe it should go further.

Where an avoidance scheme has been used, **unpaid taxes should in the first instance be recovered from the promoters rather than individual taxpayers, many of whom are unwitting victims of the scams**. This would prevent those who run avoidance schemes from making huge profits while leaving taxpayers in financial ruin.

## Update MSC legislation

The use of accountants by contractors and the self-employed has been thrown into doubt by government's recent application of Managed Service Company legislation.

The rules, designed to crack down on the use of bogus companies by workers, are now being used to target contractors for using an accountant to help get their taxes right.

Left unchecked, HMRC's approach risks putting the self-employed between a rock and a hard place for tax compliance. Government should **urgently review Managed Service Company legislation to ensure that its wording, and the approach taken by HMRC in enforcing it, remain in alignment**.

## Proper ministerial oversight of HMRC

Despite the size and scale of the department, HMRC operates largely independent of ministerial oversight. Because of this, **taxpayers often feel that they have no recourse through elected politicians where the department is acting unfairly, inefficiently or carelessly.**

HMRC is one of the few departments that sends senior officials – unaccompanied by ministers – to face public scrutiny for its work in Select Committees. Ministers are quick to distance themselves from the activities of HMRC, shrugging their shoulders rather than taking responsibility for its actions.

IPSE believes that **HMRC should have proper ministerial oversight.** This would ensure that the department’s activities – from enforcement to customer service – are **checked and backed by a cabinet level minister.**

Not only would proper ministerial oversight empower taxpayers to hold HMRC to account – it would improve trust between them and the department and enable HMRC to fulfil its remit with greater confidence.



**Kaye Adams**

Loose Women panelist &  
Broadcaster

*“It is no exaggeration to say that my ten year ordeal at the hands of HMRC has destroyed my faith in the integrity of government institutions.*

*“To have been pursued for ten years, at enormous personal and financial cost, and then win my case at a fourth hearing, only to receive a one line email informing me HMRC had decided ‘not to pursue it’ felt like a huge kick in the teeth. No-one disagrees that HMRC have a duty to collect the ‘correct’ amount of tax but it also has a duty to behave in a ‘correct’ manner.*

*“IPSE’s call for stronger oversight and a genuine reassessment of how HMRC operates is the right way forward. How can we expect freelancers to succeed if the taxman can roll the dice on their future with impunity?”*



# Financial fairness – today and tomorrow

The self-employed are unable to fully benefit from the safety nets that are key to **financial resilience in work**. Often, this is for no other reason than that they happen to be their own employer, rather than someone else's employee.

Historically, building these safety nets around the employed workforce was a sensible means of helping those who had 'paid into the system'. But as the ways in which people choose to earn a living have evolved, the **gaps in these safety nets have been exposed**.

By the end of 2019, there were more than 5 million self-employed people in the UK – an increase of 58% since the turn of the millennium and representing 15.3% of all employment. Having declined in the wake of the pandemic, **the self-employed population is on the rise again**, boosted by a burgeoning interest in side hustles and portfolio careers.

Despite this transformation in the workforce, **the apparatus that supports it has failed to keep pace**. It is for this reason that the self-employed get less help if they fall sick, suffer an injury at work, bring a child into the world, or to save adequately for later life.

As the number of households with self-employed incomes grows, **the case for a new way of thinking** on how to support our workforce – however they operate – to lead fulfilling, rewarding and sustainable careers **grows stronger**.

To do this, IPSE is urging government to move on from systems designed for the 20th century workforce and reform the following key areas:





# Recommendations

## Boost lifetime savings for the self-employed

**Make the Lifetime ISA work for the self-employed** by increasing the age limit for opening new accounts to 55 and allow the self-employed to reclaim the early access penalty through their tax return.

## Improve incentives for later life saving

Inaction on under-pensioned groups, including the self-employed, deepens the crisis and narrows the variety and quality of options available to policymakers. The next government must follow through on calls to **coordinate action across the finance sector to boost later life saving by the self-employed**.



**Nathan Long**

Senior Analyst, Hargreaves  
Lansdown

*“The self-employed have slowly been turning their back on pension saving, but it’s a misconception that they are not putting money aside for the future. Pension incentives are not sufficient to tempt self-employed workers, particularly basic rate tax payers to tie their money up for the future.*

*“Hargreaves Lansdown believes amending the Lifetime ISA age constraints and early access penalty can instantly boost the retirement savings of 1.2 million households with a self-employed basic rate tax payer. It’s why we’re backing IPSE’s call for reform.”*

## Tighten guidelines to clarify when an invoice is ‘received’

When a freelancer sends an invoice to their client, the countdown to their payment deadline begins. But often, by the time a finance department has even acknowledged an invoice, the freelancer’s payment deadline has elapsed. These slow processes for approving payments and internal communication failures can result in significant financial instability for the self-employed.

Government should **tighten payment guidelines to clarify that an invoice becomes active when it is received by an organisation** through whichever channel, and not once it is passed to a specific team, person, or process.

## Put an end to obscenely long payment terms

Current legislation states that businesses can agree to payment terms longer than 60 days provided it is “fair” to both parties. But this is too easy to ignore. The reality is that schedules of 60 days – offered on a ‘take it or leave it’ basis by powerful clients – are far from uncommon, whilst 90 day and 120 day terms are not hard to find.

**The UK should mirror Belgium’s approach of updating legislation to deem contractual payment terms longer than 60 days to be null and void**, defaulting to the statutory schedule of 30 days.

## Kim Bradford

HR and Data Protection  
Consultant

*“Larger organisations playing fast and loose with their own payment terms is callous, selfish and unjust. Overdue payments aren’t just a breach of a mutually agreed contract – they put my livelihood, my mortgage and my family’s financial security in jeopardy.*

*“They mean I can’t pay people who have delivered goods and services to me, which is horrifying for me personally and professionally and creates so much stress that my health is impacted. They destroy the mutual trust I work so hard to build with clients and suppliers alike.*

*“Yet if I were to breach these terms in any way, the client would terminate the agreement and go elsewhere without thinking twice. The imbalance of power is hugely unfair, but I can’t complain for fear of losing the income.”*

## Parity for self-employed mothers

**Extend the Maternity Allowance to the first six weeks of leave** to bring its coverage in line with Statutory Maternity Pay whilst also allowing the self-employed to access Statutory Adoption Pay. There is no justifiable reason why these benefits remain exclusive for employees.

## Shared parental leave for freelancers

**Extend Shared Parental Leave (SPL) to the self-employed** so that parents have equal opportunities to care for their children and their business.

## Upskilling and reskilling

**Extend the tax deductible treatment of money spent on maintaining existing skills to also cover one 'new' skill each tax year**, and identify ways to make unspent Apprenticeship levy funds available to the self-employed.



### Faye Dicker

Broadcaster, Voice Artist & Founder of Freelance Mum

*"Self-employed mothers play a vital role in their households and in their contribution to the economy. But there is an imbalance in the support available to them. It's vital that their voices are heard, that they have an equal footing, and aren't penalised for having children."*



## Level out the Minimum Income Floor

Earnings of self-employed Universal Credit claimants should be calculated on an annual or quarterly basis, rather than month-to-month, enabling claimants to offset gains in strong months against shortfalls in leaner months.

## Sickness safety net

Extend Statutory Sick Pay to sole traders by enabling them to claim a proportion of average profits from a reference period if they become temporarily unable to work due to sickness.

## Help for those hurt on the job

Expand access to Industrial Injuries Disablement Benefit to the self-employed, preventing those who suffer a debilitating injury whilst working from being forced to use up most or all of their savings to cover basic living expenses.



# About us

# Who is IPSE

IPSE is the largest association of independent professionals in the UK, representing freelancers, contractors and consultants from every sector of the economy. It's a not-for-profit organisation owned and run by its members.

We believe that flexibility in the labour market is crucial to Britain's economic success, and dedicate our work to improving the landscape for the freelance way of working through our active and influential voice in Government and industry. We work with leading academic institutions and research agencies to provide empirical evidence about evolving market trends.

**This manifesto was written by Fred Hicks, Senior Policy Adviser at IPSE, with the help of Senior Research Officer Joshua Toovey, and Director of Policy Andy Chamberlain.**

**We would like to thank IPSE members for their contribution, however big or small, to IPSE's campaigning, including those who have attended webinars and meet-ups to share their views.**

**We would especially like to thank our Policy & Research Committee for their consistent engagement and invaluable feedback over the past five years.**

**Furthermore, we would like to thank IPSE's Board of Directors for their guidance and support for IPSE's campaign objectives.**

**Finally, we would like to thank IPSE's Senior Brand Designer, Elisa Basile, for her time and hard work in bringing this manifesto to life.**

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**ipse**

**The *Courage* Economy:**

A Manifesto for the Self-Employed