



LIFE MAGAZINES

MONTHLY A5 LOCAL LIFESTYLE MAGAZINES

OPINION - In Defence of Entrepreneurs

It's no good; I've got to say something. Virtually everyone I've spoken to (and I've spoken to quite a few) is wholeheartedly in favour of the new 50% tax rate for those earning over £150,000 per year. I suppose it's understandable; with all these revelations about Sir Fred and his cohorts wandering off into the sunset with sack loads of our money, it's easy to conclude that anyone who earns that much dosh is a thieving git and deserves to be taxed until the pips squeak.

I feel that this is something of a knee jerk reaction. Someone pulling in better than £150k per year is far more likely to be a hospital consultant or GP than an Executive Director of a high street bank and they are far more likely still to be an entrepreneur. I'd better explain what I mean by an entrepreneur. Most entrepreneurs tend to be self employed but that does not mean that all self employed people are entrepreneurs. Entrepreneurs risk their own money, time and effort to build businesses; if they succeed they create wealth and they create jobs.

I consider myself to be an entrepreneur, I am involved in building two businesses and I can tell you that times are tough for entrepreneurs at the moment. Let me explain why. To start with, the banks have dramatically cut the amount of money they lend to businesses, irrespective of how profitable they are. This means that small businesses like mine have barely enough cash to get by, so the first thing they do is take a while longer to pay their suppliers. As all my customers are other small businesses this is a big deal because it means that I am usually owed a great deal of money which, as any bank will tell you, is a very different matter to having a great deal of money.

Unfortunately, the taxman doesn't differentiate between the two; if you are owed £100,000 you

will still be expected to pay tax on it. It gets worse too. Self employed people pay tax on what they earned the previous year but then they have to pay the same amount again towards next year's tax bill. In other words, it is quite possible that an entrepreneur will have to pay 100%!!!! of any income over £150,000 in tax. While we're talking about taxes, let me point out that the effect of the cut in the VAT rate has been to take around £375 per month straight out of my back pocket (don't ask me to explain why.) I'm sure that many of my local pubs would much prefer it if I invested that money wisely with them each month.

Something else to consider! I run a graphic design business as well as publishing magazines. I have a simple business model - I employ a graphic designer, bring in enough business to keep him or her busy and then go and employ another one. A busy graphic designer generates about £30,000 per year in profit so in order to earn £150,000 per year I need to create 5 jobs. I'd really appreciate it if somebody could explain to me why I should then create a 6th job when potentially every last penny in profit generated by that person goes straight to the taxman.

So, if your neighbour runs a plumbing and heating contractor or an IT consultancy and has recently had to sell his Porsche to make ends meet, a bit of sympathy might be in order. Alternatively, if he has just bought a new Porsche, congratulate him. In all probability, he's just created a job and, you never know, someone you know could be the beneficiary.

Howard Clemmow