

Members of Parliament – Are they worth a penny a day?

Much of the Debate and furore about the conduct of Members of Parliament has been misinformed, inaccurate and misleading. What the public want to know is not if someone claimed 88 pence for a bath plug but whether they are providing a good service and value for money. They also want to know that Members of Parliament are acting honestly and are complying with any rules and regulations correctly.

If every one of my constituents paid me just 1 pence a day that would equate to £286,817 (£78,580 x 365/100). That figure is higher than the combination of my salary and all of my expenses that were published last year – i.e. £221,960 (£63291 + £158,669).

I would argue that constituents are getting exceptional value for money but because the system is totally flawed and the principles behind the system are also flawed Members of Parliament are getting an extremely bad press that is having a terrible effect on the image of Parliament.

The Principles

I believe that the whole system by which MPs are paid is incorrect. I was amazed when I first became a Member of the House that we were treated as Schedule E tax payers i.e. employees. Somehow a body called the House of Commons employs us, pays us a salary and in addition we claim expenses and allowances from it.

Under Schedule E tax law all expenses and allowances claimed have to be wholly, exclusively and necessarily incurred in the performance of a Members duties. Parliament had to produce a special law to get around this tax rule in relation to the second home allowance; making a provision under Section 292 of the Income Tax (Earnings and Pensions) Act 2003, which only required that expense to be necessarily incurred in relation to the second home.

The whole basis on which we are paid and taxed is incorrect. We are not employees but, in fact, self employed and we provide a professional service to the electorate. I can not be instructed to do anything that is not in the interests of my constituents. I am not answerable to a board of directors, I am not answerable to a body called the House of Commons and I am not employed by my Party or my whips.

I provide a professional service to my constituents and at regular intervals my constituents decide whether to continue with my services. Ultimately the work I do as a Member of Parliament is done on behalf of my constituents and for no one else.

I personally employ my staff for whom I am responsible. If I was an employee the staff employed by me would instead be employed by another organisation who would also be my employer. The facts of the situation are clear. I employ staff; therefore I can not by definition be employed.

Equally, what employee hires premises that he is personally responsible for, buys and leases capital equipment which he also is personally responsible for? If I was an employee then the employer, not me, would have to contract for all these costs and expenses.

My Solution

My contention is that Members of Parliament are self employed professionals providing a service to their constituents. Members of Parliament should be treated like any other self employed citizen and their income, costs and expenses should be taxed by Her Majesty's Revenue and Customs in the same way as everyone else. Members of Parliament should be required to produce audited accounts once a year which will be available to the public for inspection.

The Advantage of My Solution

With my proposition the following advantages would occur:

- 1. It would save considerable sums of money for the tax payer.**
- 2. It would provide greater flexibility for Members of Parliament.**
- 3. It would produce greater efficiency in spending of public money.**
- 4. Members of Parliament could be financially better off.**
- 5. Members of Parliament would be treated the same as every other citizen**
- 6. Members' income and expenditure would be independently audited.**

1. Saving Tax Payers' Money

As my system only requires HMRC to be involved with the taxation of the income and costs of Members of Parliament great swathes of the Finance and Administration Department could be swept away. This would save the tax payer potentially millions of pounds every Parliament. All the rules and regulations in the Green Book would be unnecessary and all the staff employed to administer the Green Book would not be required.

2. Flexibility

As with other self employed professionals no two Members of Parliament operate in the same way. For example two MPs could be regarded as hard working and conscientious but could operate in very different ways and have vastly different cost structures. One could employ several staff, have a constituency office and hold weekly surgeries – the other might not. However the end result is that they both provide an excellent service to their constituents.

My system would allow complete flexibility for Members of Parliament. There would be no Green Book governing their expenditure. If Members of Parliament wanted to pay more or less on staffing or office costs they could. The only test being whether HMRC would allow the costs as allowable expenses. If they did not Members of Parliament would effectively be paying tax on these costs.

3. Greater Efficiency

At the moment Members of Parliament tend to spend their allowances because they are there and budgeted for. In other words, as in other parts of the public sector, because the money is there we spend it – not necessarily in the most efficient way. There is no incentive to spend the money efficiently.

My system provides an incentive for efficient spending because it is the net income that becomes the Member of Parliament's earnings. The more they save the more they earn. This also benefits the tax payer as the greater the Member of Parliament's net earnings the greater the tax take for the Government.

4. Financially Better Off – Both Tax Payers and MPs

As Members of Parliament would not be hamstrung by the rules and regulations of the Green Book they will operate in a much more efficient manner and therefore their net income will be higher. Therefore future increases in remuneration for Members of Parliament would be less than if the current system prevails. In other words both tax payers and Members of Parliament would be better off.

5. Same as Everyone Else.

As a self employed professional, taxed under Schedule D, Members of Parliament would have to provide accounts to HMRC once a year. HMRC would then decide which expenses and costs were allowed against tax and would then tax the net income in accordance with normal tax rules.

Members of Parliament would be treated in the same way as any other member of the public in regard to their remuneration and taxation. It would not be possible to claim that Members of Parliament are treated in a beneficial manner.

6. Independently Audited

As with other businesses Members of Parliament would have to have their annual income and expenditure accounts audited. These accounts would be audited by independent accountants. The auditors would have to state whether the income and expenditure accounts showed a true and fair view. These accounts would have to be published and therefore would be available to the tax payer. The tax payer would have confidence in the system as not only would HMRC have to agree the accounts they would also have to be audited by a professional firm of accountants.

Detail

Income

The key to the whole proposal is that we get the level of gross income correct. As a starting point I would suggest the following formula:

- The current annual salary
- + The total of all the existing allowances claimed
- + The cost of pension contributions provided by the Government

This would give the base income from which you might want to make a deduction for inner London Members of Parliament who are not entitled to the Second Home Allowance.

To this basic amount would be added the following income:

- Travel costs as calculated at present
- The cost of centrally provided stationary and postage
- The cost of centrally provided IT support
- The cost of centrally provided telephone and internet connections
- Any other centrally provided costs

This income would of course be contra off against those actual costs and therefore have a nil tax effect.

In addition to this income would be added special responsibility payments such as:

- Being a Minister
- Being a Whip
- Being a Select Committee Chairman
- Being a Member of the Chairman's Panel
- Any other additional responsibility payments

This would then give the Member of Parliament's total gross income, which in effect would be no more than is currently allowed. However it would have the advantage of being transparent.

Costs

The Member of Parliament would be able to pay out of his or her gross income any costs relating to his duties as a Member of Parliament. The only consideration being that they were wholly and necessarily incurred in respect of their Parliamentary duties. Her Majesty's Revenue and Customs would decide ultimately whether such costs are allowed.

The net income after costs would then be the Member of Parliament's earnings and would be subject to tax in the normal way.

Spouses

There has been some debate as to whether spouses and other family members should be allowed to work for a Member of Parliament. In small family businesses it is of course the norm for a husband and wife to work together and in some cases other family members. Under my proposals this would be completely in order as long as they met the rules of HMRC.

On the general point, if Members of Parliament were to continue to remain employees I would be in favour of allowing spouses and family members to be employed by the Member of Parliament. Members of Parliament work extremely long hours, many of them unsocial hours. There is no firm structure to any Parliamentarians week and they are always under time pressure. In addition Members of Parliament deal with highly confidential pieces of information about their constituents. Therefore Members of Parliaments' personal or secretarial assistants often have to work at midnight or later, work extremely long hours at short notice, and need to have the complete confidence of the Member of Parliament. Spouses are in a unique position to provide that service.

Pensions

The Leader of the Opposition, David Cameron, has already said that new Members after the next election will be on a money purchased pension scheme rather than a final salary scheme. Obviously my system allows for a money purchased pension scheme. As a self employed MP you would be able to determine what level of pension contributions you make. As individual Members of Parliaments' circumstances will vary depending on what stage of life they arrive at Parliament and their previous situation it is clearly wrong to have only one standard scheme as at present. Members of Parliament would make their own pension provision as does any other self employed person.

This of course creates a problem for sitting Members and their final salary scheme. I am no expert on pensions and further advice would need to be sought – but the current scheme could be turned into a paid up final salary pension scheme.

Transitional Arrangements

As this is such a radical departure from the existing system there will need to be adequate transitional arrangements.

Conclusion

Members of Parliament are professional people who equate with headmasters, GPs, and Local Council Chief Executives. It is essential that Members of Parliament receive a remuneration package that equates to their abilities and roll in society. If the level of remuneration paid to Members of Parliament is low the House of Commons will become an institution dominated by the wealthy and those people who are funded by special interest groups. That would be disastrous not only for democracy but for the country.

The problems we have endured are a result of Members of Parliament being treated differently to other people in society. My system changes that so we are treated in the same way as any other self employed person.

It removes the opportunity to criticise Members of Parliament for having perks and privileges not available to others members of society.

My system is not only legally correct but it is fair, equitable and just.

Peter W Bone FCA MP

Member of Parliament for Wellingborough

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