

George, a software developer, was born on 11 June 1986. He has accepted a one-year contract to update software for Xpee plc.

(1) The contract will run from 6 April 2014 to 5 April 2015, with a fee of £40,000 payable for the entire year of the contract. A condition of the contract is that George will have to do the work personally and not be permitted to sub-contract the work to anyone else.

(2) George will work from home, but will have to attend weekly meetings at Xpee plc's offices to receive instructions regarding the work to be performed during the following week.

(3) George will not incur any significant expenses in respect of the contract apart from the purchase of a new laptop computer for £3,600 on 6 April 2014. This laptop will be used 100% for business purposes.

(4) During the term of the contract, George will not be permitted to work for any other clients. He will therefore not have any other income during the tax year 2014–15.

(5) George's tax liability for the tax year 2013–14 was collected through PAYE, so he will not be required to make any payments on account in respect of the tax year 2014–15.

George has several friends who are also software developers. He understands that his employment status is not clear cut but that his income tax liability for the tax year 2014–15 will be the same regardless of whether he is treated as employed or as self-employed. However, George appreciates that there are advantages to being classed as self-employed.

Required:

(c) If George is treated as being an employee of Xpee plc instead of self-employed:

(i) Explain why his income tax liability will be payable earlier. (2 marks)