

MSC FAQs

These FAQs relate to the measures set out in the consultation document ‘*Tackling Managed Service Companies*’ published on 6 December 2006 and their aim is to make clear who is within the scope of the measures.

The FAQs reflect the position outlined in the draft legislation contained in the consultation document. The legislation finally enacted by Parliament is expected to take effect from April 2007 and may of course differ from the drafts published for comment.

What is a ‘Managed Service Company’ (MSC)?

An MSC is a form of intermediary company through which workers provide their services to end clients. In the draft legislation ‘MSC’ includes both ‘composites’ and ‘managed personal service companies’. These are discussed in detail in paragraphs 2.9 to 2.18 of the consultation document.

In essence a scheme provider promotes the use of these companies and provides the structure to workers. The worker (although a shareholder) is almost invariably not in business on his own account and not exercising control over the company (he is not usually a director of the MSC). That control lies with the scheme provider who has ongoing involvement in the MSC, exercising financial and/or management control of the company.

Are these the same as Personal Service Companies?

No. The worker in an MSC is almost invariably not in business for himself and does not have financial or management control of the company – unlike a PSC where the worker is usually a director and controls the finances of company and how it operates.

The PSC may receive advice and support from accountant or other professional adviser, but this does not amount to ‘control’ in the way that a scheme provider controls an MSC.

I operate through a PSC - will these new rules apply to me?

No – the new rules will apply only to those within the definition of MSCs set out in the consultation. The Government welcomes comments on the draft legislation and will introduce the final version in Finance Bill 07. You should check that your company isn’t an MSC as defined in the legislation, but if you are in business on your own account and control your company’s finances and how the company operates, you will not be an MSC.

If you are in any doubt you should check with your accountant or the adviser who arranged for the company to be set up.

I work through a PSC – has IR35 changed?

No. The Intermediaries legislation (IR35) will remain in place, unchanged, for PSCs. The Government intends to remove MSCs from the scope of IR35 and

is consulting on the legislation defining MSCs to ensure that it is targeted accurately.