

# **FREQUENTLY ASKED QUESTIONS REGARDING MANAGED SERVICE COMPANY LEGISLATION**

## **1. When did the new laws take effect?**

The majority of the changes in the law came into effect on 6<sup>th</sup> April 2007. Some of the Debt provisions (in particular for agencies and End Clients) were not effective until January 2008.

## **2. Why did the Treasury introduce the MSC Legislation?**

The Treasury is aiming to tackle what it calls "disguised employment" by contractors who use Managed Service Companies (MSCs).

## **3. Will the new laws affect me?**

### **▪ PAYE Contractor**

If you are a PAYE Contractor, the proposed changes should not affect you.

### **▪ Limited Company Contractor**

The new regulations essentially divide limited company contractors into two categories. If you set up your company and run it yourself using only professional advisors (such as accountants, solicitors, barristers etc) on an ad hoc basis, to assist you, then it is likely your company will not be classed as an MSC. However, if any person/company assists in the day to day running of your company (such as the assistance given by management companies) then it is likely your company will be classed as an MSC and the company that assists you may be classed as an MSC Provider. This is also likely to be the case if you pay any third party a fixed fee/margin on a weekly or monthly basis for dealing with any company matters.

### **▪ Umbrella Company Contractor**

If you are an Umbrella Company Contractor, the MSC legislation should not affect you.

### **▪ Composite Company Contractors**

If you are working through a composite company, you will be taking some of your money as wages and some as dividends at the present. These companies are affected by the MSC Legislation and in most cases all income has become liable for national insurance contributions and PAYE tax. Many companies in this market announced their intentions to withdraw these offerings from the market before 6<sup>th</sup> April 2007, however, it may be the case that some have simply re-branded but are essentially still offering the same service. If you are or believe that you may be working through a Composite Company at present, we would strongly recommend you consider taking formal legal and tax advice. We are, of course, ready and willing to facilitate any necessary contractual changes if you deem this necessary once you have taken advice.

## **4. I am changing the company via which I provide my services. Who should I contact?**

You should contact your usual Volt Europe representative who can arrange for the issue of updated paperwork. If you don't know their direct phone number, please call 01737 774100.

## **5. I work through a management company but I don't know whether it is an umbrella or composite company. What should I do?**

Please contact your management company and ask their advice. Alternatively, or in addition, please seek formal legal advice.

## **6. I have decided to work as a PAYE contractor. Can Volt help me with this?**

Yes, Volt can help. Please contact your usual Volt representative who can help you to arrange this.

## **7. I have decided that I want to set up my own private limited company. What should I do?**

Please contact your legal advisor. He/She will be able to advise how best to proceed. If you do not have a regular solicitor who advises you and you wish to source one, a list of solicitors in your area can be obtained from the Law Society web site: [www.lawsociety.org.uk](http://www.lawsociety.org.uk) .

## **9. Where can I get more information?**

If you would like further information on this subject, details are available on the Treasury website:

[http://www.hm-treasury.gov.uk/pre\\_budget\\_report/prebud\\_pbr06/other\\_docs/prebus\\_pbr06\\_odmanagedservices.cfm](http://www.hm-treasury.gov.uk/pre_budget_report/prebud_pbr06/other_docs/prebus_pbr06_odmanagedservices.cfm)

## **10. Where can I get answers to other questions?**

You can email us at [legislationchange@volteurope.com](mailto:legislationchange@volteurope.com). Our legal team will address any issues you may have. Alternatively, you can contact your tax or legal adviser.