

## Association of employment management companies' success is good for contractors

On January 28, a new trade organisation has been launched which will help contractors to find a reliable and legally compliant [umbrella company](#).

The legislation that penalised [managed service companies](#) and the contractors who use them has made it imperative that contractors find such companies. But until now, there has been no trade organisation for umbrella companies to set standards nor to observe compliance.

### AEMC Steps In For Change

The Hove-based [Association of Employment Management Companies \(AEMC\)](#) is set to change all this. "Members of the AEMC are all umbrella companies which treat all payments to workers as employment income, which account appropriately for PAYE and National Insurance to HMRC, and which administer contractor affairs, for example the treatment of expenses, properly according to the law," says Adrian Marlowe, managing director of the Hove based legal consultancy [Lawspeed](#) which specialises in recruitment affairs, and which is one of the organisers of this effort.

### Slew Of Applications

Since its launch there has been significant interest in the AEMC and a slew of umbrella companies have already requested formal applications for membership, many of these are among the largest and best-known in the trade. One such is the Warrington-based [Parasol](#), which has helped develop this initiative.

### Kite Mark For Quality of Services

The AEMC intends to establish and provide a kite mark for quality services that both employment businesses and freelance employees can rely upon, unaffected by legislation relating to managed service companies.

"To achieve this it has devised a set of rules and standards to ensure adherence to a compliant and professional service by its members. AEMC member companies will have to pass a three-part test to achieve membership, including a stringent legal and compliance audit and a specifically devised financial certificate from a firm of chartered or certified accountants covering all relevant areas. Standards will be subject to ongoing review," Marlowe explains.

### Strict Code of Conduct

The criteria will be stringent. Only umbrella companies that employ their workers under PAYE can be admitted. Those who use trading names that conceal operations by different types of company will be excluded.

A strict code of conduct will also be intrinsic to AEMC membership. "Operations like the use of potentially unsafe trading devices such as routing payments through offshore companies will be ruled out," Marlowe adds.

Some observers believe that this is the only sensible way forward given the uncertainties in the industry. Membership allows an agency to identify a safe company to use. This provides a totally clean solution in particular to managed service company legislation, allowing agencies and end-clients to know that their contractors do have full employment rights and are paying the correct tax and National Insurance, and that contractor accounting is being handled according to the rules. "This represents a completely safe haven for contractors," Marlowe says.

### Good for Recruitment

So what's bringing all these companies to the table? The managed service company legislation includes a clause regarding debt transfer--if a contractor works for a managed service company, and then doesn't pay tax due, and HMRC can't collect the tax due, the Revenue will seek it from the agency or even from the service provider. Umbrellas are exempt from this legislation, but one needs to be certain that a managed service company isn't calling itself an umbrella. AEMC will resolve that issue for its members, and provide industry standards.

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