

## Conservatives seek to protect contractors from MSC legislation citing "collateral damage"

On April 30, Conservative MP [Theresa Villiers](#) attacked the new [MSC legislation](#) in a parliamentary debate, calling it unreasonable new administrative burdens...that affect the UK's ability to compete in a global market."

### Opposition Demands A Delay

Ms. Villiers, who is MP for Chipping Barnet, demanded that application of the legislation-- which penalises contractors who use [limited companies](#) managed by third parties-- be delayed until the Treasury could provide a report on

- o the overall level of tax revenues accruing to the Exchequer;
- o the cost impact and regulatory burden of the measure;
- o the United Kingdom labour market;
- o the competitiveness of the United Kingdom economy and the encouragement of enterprise.

Says Ms. Villiers: "The Opposition's view is that imposing unreasonable new administrative burdens on the freelance and contractor community, as the Bill threatens to do, could significantly damage the ability of British business to compete in the globalised world economy. The Opposition believe that the proposals... are flawed, and that they need to be significantly revised if they are to achieve the Government's stated goal of cracking down on abusive schemes without penalising legitimate freelance and self-employed workers."

Ms. Villiers also cited concerns about the role of accountants advising limited companies run by contractors. This has been a major cause of controversy because the legislation has been cited as unclear in this matter --by authorities like the Chartered Institute of Accountants which called the legislation "ambiguous."

The issue is: when your accountant advises you, is he running your company, and thus creating a [managed service company](#)?

### Operation of the Safe Harbour

Says Ms. Villiers: Her Majesty's Revenue and Customs has indicated informally that such activities should not turn accountants into MSC providers. However, as the Institute of Chartered Accountants points out, there is no substitute for a legal definition, and we propose to table amendments in the Public Bill Committee to clarify the operation of the safe harbour..."

### PCG Challenge

As Ms. Villiers points out, the legislation is damaging. "A fundamental problem with [the legislation] is the collateral damage that it will cause. As drafted, the provision could hit many genuine freelancers who operate entirely legitimately and are genuinely self-employed—they are not employees. The consultation document asserts that the 'underlying nature' of the relationships established by workers in MSCs is 'almost invariably' one of employment. No evidence is given to support that assertion in the consultation document, and the [Professional Contractors Group](#) has challenged it.

See: [full text of the debate](#)

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The Honourable Theresa Villiers -  
Conservative MP Chipping  
Barnet

“ For accountants there is no substitute for a legal definition ”

The Honourable Theresa Villiers -  
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