

Audit scheme planned for contractor providers

Contractors will probably soon be able, once again, to ask their agencies to recommend an accountant or a lawyer without being fobbed off.

Out Of Danger

Agencies are concerned that, under the [managed service company legislation](#), should they recommend an accountant or lawyer to you, they could become liable for your tax debt. The managed service company law, included in the last budget, says that anyone who 'facilitates' your working with a managed service provider could be held responsible for your tax payments if you don't make them yourself.

But the Revenue is doing something about this, because it recognises that the uncertainties this law has created for the industry should be addressed.

At a conference in London held by the Hove-based legal consultancy [Lawspeed](#), which specialises in recruitment and contractor affairs, held on 11th October, HMRC policy committee member Robin Wythes, who is responsible for this legislation, indicated that guidelines for the creation of an audit scheme for contractor service providers would be created.

At the Lawspeed seminar today, Robin Wythes said: "We've now had three months worth of feedback on these issues, and we are working to resolve as much as the uncertainties as we can."

Guidance From HMRC

But the Revenue is not going to be involved in auditing or accrediting providers. Said Wythes: "There emphatically is not going to be any accreditation scheme operated by HMRC. We do not have the resources to run such a scheme.

Wythes continues: "however, the Revenue are considering a scheme whereby providers could be audited by third parties applying a published HMRC Audit Standard. This scheme is likely to be approved, and available for application within this calendar year."

"This would then determine whether or not the MSC legislation applied. The idea is that this should allow employment businesses to safely deal with those that have been reviewed applying the Audit Standard where such a review confirms that the provider's client companies are not MSCs," Wythes says.

HMRC is clearly keen to put such a scheme into practice bearing in mind that the tax transfer rules will apply to employment businesses from 6th January 2008.

HMRC will not guarantee that a provider who is audited successfully has some sort of approval. But in the course of compliance checks with companies, HMRC will verify that the auditors are employing best practice and are sticking to the guidelines that HMRC has set out.

Safe With A Good Auditor

If audited companies pass those compliance standards, and the auditor is applying the standards correctly, this will remove the risk of debt transfer almost entirely. What this means is agents will once again be able to keep preferred supplier lists, and contractors will be able to get recommendations from agents, without fear of being caught within the [managed service company legislation](#).

Lawspeed managing director Adrian Marlowe commented "Any such scheme would be of great benefit to the industry. This will no doubt involve a tricky balancing act between providing a level playing field for all providers operating in this area, and the government achieving its objectives under the MSC legislation.

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Robin Wythes-HMRC

“ Any such scheme would be of great benefit to the industry

Adrian Marlowe-Lawspeed



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