

## Treasury replies to wave of protest from contractors

A spokesperson for [HM Treasury](#) replied today to questions from [ContractorCalculator](#) about the attack on [managed service companies](#).

ContractorCalculator had asked if the [definition of managed service companies](#) were not too broad, too inclusive of too many different kinds of businesses?

The spokesperson does not agree: "The definition of MSCs to be included in the Finance Bill focuses more on the business and role of the MSC provider and less on who controls the company. It will therefore enable HMRC to focus on the relatively small number of MSC providers rather than looking at each company separately."

### Controversy Over Control

This point is likely to initiate a serious controversy. Much of the text of the legislation is devoted to the question of control: who really runs the business;

Says John Kell, of the London-based contractor trade organisation [Professional Contractors Group](#): "Certainly the new legislation is concerned about the provider of a managed service company, but insofar as that is a person who promotes and facilitates the provision of services and is involved in the running of the company. "

Clearly there will be significant questions about the issue of control and its relationship to the issue of service provision. It will require years of case law to show that a contractor is actually running his own company and purchasing services, as opposed to having his company run by others.

### The Flexibility Issue

In answer to ContractorCalculator's question on whether this year's Budget promoted a flexible workforce, the Treasury spokesperson replied:

"The Government remains fully committed to a flexible workforce. This action on MSCs is targeted to address a specific problem."

As the PCG points out, this kind of legal action scarcely contributes to a flexible economy.

### Time to Simplify Complex Tax Systems

Another issue of immediacy that this legislation raises is how contractors who already have managed service company contracts in place. Several lawyers contacted by ContractorCalculator all agree that there is no clear guidance on this issue. It may be possible to dissolve these ongoing contracts, or contractors and providers may have to find other solutions. Contractors should certainly seek professional advice on this point.

The PCG has called for the Government to do more to give freelancers a fair deal with regard to tax, law and regulation: it remains far too difficult for them to navigate the complex systems in place in the UK, systems which this years Budget has done little to simplify.

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“ The Government remains fully committed to a flexible workforce. ”

HM Treasury-Spokesperson

“ A central part of this flexibility is that afforded by the UKs freelancers and contractors who enable companies to meet their skills needs ”

John Kell-PCG

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