



# Income Tax (Earnings and Pensions) Act 2003

## 2003 CHAPTER 1

### PART 2

#### EMPLOYMENT INCOME: CHARGE TO TAX

#### [<sup>F1</sup>CHAPTER 9

#### MANAGED SERVICE COMPANIES

#### *Application of this Chapter*

#### [<sup>F1</sup>61B Meaning of “managed service company”

- (1) A company is a “managed service company” if—
  - (a) its business consists wholly or mainly of providing (directly or indirectly) the services of an individual to other persons,
  - (b) payments are made (directly or indirectly) to the individual (or associates of the individual) of an amount equal to the greater part or all of the consideration for the provision of the services,
  - (c) the way in which those payments are made would result in the individual (or associates) receiving payments of an amount (net of tax and national insurance) exceeding that which would be received (net of tax and national insurance) if every payment in respect of the services were employment income of the individual, and
  - (d) a person who carries on a business of promoting or facilitating the use of companies to provide the services of individuals (“an MSC provider”) is involved with the company.
- (2) An MSC provider is “involved with the company” if the MSC provider or an associate of the MSC provider—

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**Changes to legislation:** There are currently no known outstanding effects for the Income Tax (Earnings and Pensions) Act 2003, Section 61B. (See end of Document for details)

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- (a) benefits financially on an ongoing basis from the provision of the services of the individual,
  - (b) influences or controls the provision of those services,
  - (c) influences or controls the way in which payments to the individual (or associates of the individual) are made,
  - (d) influences or controls the company's finances or any of its activities, or
  - (e) gives or promotes an undertaking to make good any tax loss.
- (3) A person does not fall within subsection (1)(d) merely by virtue of providing legal or accountancy services in a professional capacity.
- (4) A person does not fall within subsection (1)(d) merely by virtue of carrying on a business consisting only of placing individuals with persons who wish to obtain their services (including by contracting with companies which provide their services).
- (5) Subsection (4) does not apply if the person or an associate of the person—
- (a) does anything within subsection (2)(c) or (e), or
  - (b) does anything within subsection (2)(d) other than influencing the company's finances or activities by doing anything within subsection (2)(b).]

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**Textual Amendments**

**F1** Pt. 2 Ch. 9 inserted (retrospective to 6.4.2007) by [Finance Act 2007 \(c. 11\)](#), s. 25(2), [Sch. 3 para. 4](#)

**Changes to legislation:**

There are currently no known outstanding effects for the Income Tax (Earnings and Pensions) Act 2003, Section 61B.