

COMPOSITES UNDER ATTACK AGAIN?

For those of you with experience of composite companies, or have colleagues using / considering using composite companies, there is an interesting article in accountancy age. The URL is:

<http://www.accountancyage.com/accountancyage/analysis/2166836/taxman-hesitates-ir35-quandary>

The gist of it is that it is expected that there is expected to be an imminent crack down on composite companies compliance with IR35 and similar.

This ties in with the feeling of many professionals in tax / accounting world who specialise in the service company / contractor sector, that many composite arrangements run by unregulated operators are not “playing by the rules” and are therefore obtaining unfair advantage over law abiding businesses as well as possibly storing up the risk of back tax liabilities and penalties for those contractors using them.

This in turn has led to an unfortunate perception that Composite arrangements are more tax efficient than a traditional service company structure or have magic IR35 beating powers – nothing can be further from the case. Earlier this year we mystery shopped several composite companies and the results were quite depressing in terms of the half truths and sales patter given out.

As a firm Garbetts is still working on its own composite service, which should launch soon. We are negotiating with HMRC over details of this. We are determined that any such service we launch will be compliant.

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