

UMBRELLA AND COMPOSITE COMPANIES

An alternative to having your own company used to be using a umbrella or composite company, sometimes known as “managed service companies” or MSCs.

Garbetts do not offer these services.

Following the 2007 budget, which enacted proposals in the December 2006 pre budget, the tax regime for MSCs changed significantly. All MSC arrangements must now be 100% PAYE, with no dividend payments possible. Travel expenses have also been curtailed.

For a contractor caught by IR35 with low travel / subsistence costs, then use of a straight forward Umbrella arrangement may be more beneficial that a PSC in terms of saving admin and accountancy costs.

However for most contractors any form of MSC arrangement is now likely to be expensive tax wise, so PSCs ar the only viable option for a outside of IR35 contractor.

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