XX XX MP
House of Commons

London SW1A 0AA

XX 2023

Dear XX,

**Ongoing investigations under Managed Service Company legislation**

As a self-employed business owner in your constituency, I am writing to you today because I am extremely concerned by HMRC’s inquiries into two accountancy service providers (ASPs) named ‘Churchill Knight’ and ‘Boox’. These inquiries are having a severe impact on the lives of as many as two-thousand business owners like me and threatens any small business that uses an accountancy services provider.

In April last year, HMRC began to issue ‘Regulation 80’ notices to clients of the two firms, declaring that they owed a life-altering amount of tax under Managed Service Company (MSC) legislation.

According to the notices, HMRC had determined that their ASP had breached MSC rules, stating that the firms were “involved” in their clients’ companies and that they “benefit financially on an ongoing basis from the provision of services of individuals” – a claim that both firms deny. As a result, HMRC issued a deemed tax calculation for allegedly unpaid income tax and national insurance on the part of the clients.

Not only did this come as a complete surprise to the clients of these firms – who had enlisted their services for the very purpose of seeking tax compliance – but as far as I and other small business owners like me were aware, the two ASPs that HMRC are pursing today acted no differently to scores of their competitors.

Despite HMRC’s investigation being concerned with the activity of the ASPs, the liability rests with thousands of micro-businesses like mine, who now face protective tax charges totalling tens of thousands of pounds.

Whilst I believe it is right that HMRC actively clamp down on tax avoidance, in this case, HMRC appears to be using sixteen-year-old legislation that was intended to deal with composite companies – another policy area altogether. The MSC legislation even carries a specific exemption for accountants that are merely by virtue of providing legal or accountancy services in a professional capacity.

I am particularly worried that any small business owner that uses a specialist ASP could be inadvertently caught up in future HMRC inquiries. It cannot be right that the smallest businesses in this country are targeted for simply engaging an accountant when navigating our notoriously complex tax system.

As your constituent, I urge you to raise these points with Ministers at the Treasury do everything in your power to halt these investigations until a review of the legislation is conducted.

Yours sincerely,

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[Include your postcode here **and in your email body** to guarantee a reply from your MP]

Please also let us know which MP you have contacted by emailing mscqueries@ipse.co.uk so we can follow up with them.