

## SCHEDULES

### SCHEDULE 3

#### MANAGED SERVICE COMPANIES

##### PART 2

#### CALCULATION OF PROFITS OF MSCS: DEDUCTION FOR DEEMED EMPLOYMENT PAYMENTS

##### *Deduction for deemed employment payments for income tax purposes*

9 In ITTOIA 2005, after section 164 insert—

##### *“Managed service companies*

#### **164A Deduction for deemed employment payments**

- (1) This section applies for the purpose of calculating the profits of a trade, profession or vocation carried on by a managed service company (“the MSC”) which is treated as making a deemed employment payment in connection with the trade, profession or vocation.
- (2) A deduction is allowed for—
  - (a) the amount of the deemed employment payment, and
  - (b) the amount of any employer’s national insurance contributions paid by the MSC in respect of it.
- (3) The deduction is allowed for the period of account in which the deemed employment payment is treated as made.
- (4) The amount of the deduction allowed under subsection (2) is limited to the amount that reduces the profits of the firm for the tax year to nil.
- (5) No deduction in respect of—
  - (a) the deemed employment payment, or
  - (b) any employer’s national insurance contributions paid by the MSC in respect of it,may be made except in accordance with this section.
- (6) In this section “deemed employment payment”, “employer’s national insurance contributions” and “managed service company” have the same meaning as in Chapter 9 of Part 2 of ITEPA 2003.”

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*Status: This is the original version (as it was originally enacted).*

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*Deduction for deemed employment payments for corporation tax purposes*

- 10 (1) This paragraph applies for the purpose of calculating for corporation tax purposes the profits of a business carried on by a managed service company (“the MSC”) which is treated as making a deemed employment payment in connection with the business.
- (2) A deduction is allowed for—
- (a) the amount of the deemed employment payment, and
  - (b) the amount of any employer’s national insurance contributions paid by the MSC in respect of it.
- (3) The deduction is allowed for the period of account in which the deemed employment payment is treated as made.
- (4) If the MSC is a partnership, the amount of the deduction allowed under subparagraph (2) is limited to the amount that reduces the profits of the partnership for the period of account to nil.
- (5) No deduction in respect of—
- (a) the deemed employment payment, or
  - (b) any employer’s national insurance contributions paid by the MSC in respect of it,
- may be made except in accordance with this paragraph.
- (6) In this paragraph “business”, “deemed employment payment”, “employer’s national insurance contributions” and “managed service company” have the same meanings as in Chapter 9 of Part 2 of ITEPA 2003.