

Do you fit the IR35 profile?

Summary of the IR35 regulations

- ✓ *If you own more than 5% of a limited company; and
- ✓ *a single client contributes 60% or more to your turnover; and
- ✓ you have a contract between your limited company and that client; and
- ✓ you work in the client premises, using client equipment and under their control

then

you may well be in 'disguised employment' according to IR35 legislation.



How do I know if IR35 applies to me?

This is the biggest problem with the legislation. You can't be sure if it applies to you or not. There are some tests that are applied by HMRC to help decide if you are in disguised employment or not which includes:

- Do you have a right to substitute yourself for another employee of the company?
- Is there 'mutuality of obligation' within the contract?
- Does the client 'control' what you do, how you do it, when you do it and where you work?

The Taxman thinks he can generalise about what makes some companies fall within IR35 and others escape it. He has drawn-up a set of business entity tests, complete with a scoring system, to help you judge whether your business would be at high, medium, or low risk of being investigated for falling under IR35.

These business entity tests are not derived from the tax law. They merely represent the **Taxman's view** of the risk of a business falling within IR35. The scoring attached to the tests is controversial, as it penalises businesses that have no bad debts, never pay to advertise and operate from the owner's home. If you choose to use the IR35 business entity tests, you don't have to declare your score to the Taxman, the tests are merely for your own guidance.

What happens if IR35 shows I am in disguised employment?

You pay more tax. Loads more. And NI too. You would pay tax as if you were an employee of the client. All the income paid to the limited company from the client would be liable for tax and NI. Obviously this would be far higher than the normal tax rates applied to a limited company with a supplier / client relationship.

Is there anything I can do to prove I am not in 'disguised employment'?

Yes, several. But the easiest place to start is by looking at what proper companies do. This includes:

- Having a company logo and business stationery **(included in this Inspire offer)**
- Having a company website that is designed to win work **(included in this Inspire offer)**
- Ensure any contract between your company and the clients is written properly
- Use your own equipment
- Work from your own office as well as at the client premises
- Use your own equipment

Now you know the IR35 regulations I suggest you do the following:

- Get an IR35 'friendly' contract drafted
- Get business stationery designed and printed **(by Inspire of course)**
- Have a website built **(by Inspire of course)**
- Setup a home office or rent a virtual office
- Get a dedicated business phone number, even a virtual phone number

Why? Well each of these small pieces build up evidence that you are in business for yourself, rather than employed.

But all that stuff costs money?

Yep, it does. But do you know what, the cost of being caught by IR35 is far higher.

ALL THE WORK will be tax deductible

ALL BUSINESSES have running costs so showing that your company pays for things that all other businesses pay for too will also aid your case when it comes to IR35 compliance.

* Anyone can be caught out if there are pointers to the contract being nothing other than a contract of employment through an intermediary.