

# IR35

## THE KEY FACTS SIMPLIFIED

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Why?

What does it mean for  
companies?

What does it mean for  
contractors?

## WHY A CHANGE IN LEGISLATION?

One of the major benefits for a worker using a limited company or PSC (Personal Service Company) is that the worker can avoid or pay less income tax and national insurance contributions than a company employee performing a similar role.

The government are clamping down, mainly by putting the emphasis on the end client (the company benefiting from the work) to decide if the assignment falls inside or outside IR35

## OFF-PAYROLL WORKING RULES (IR35)

The off payroll working rules can apply if a worker provides their services through an intermediary.

The rules make sure that workers, who would have been an employee if they were providing their services directly to the client, pay broadly the same tax and National Insurance contributions as employees.

These rules are sometimes known as 'IR35'.  
You may be affected by these rules if you are:

- a worker who provides their services through their intermediary
- a client who receives services from a worker through their intermediary
- an agency providing workers' services through their intermediary

Source: [www.gov.uk](http://www.gov.uk)

# COMPANIES EMPLOYING CONTRACTORS



## SMALL COMPANIES CAN BE EXEMPT

Small companies who meet two or more of the following requirements are exempt:

- Annual Turnover not more than £10.2 million
- Balance sheet total not more than £5.1 million
- Number of employees not more than 50



## INSIDE OR OUTSIDE?

Companies (excluding small ones) are responsible for determining the status of each assignment - is it inside or outside IR35?

CEST tool:

<https://www.gov.uk/guidance/check-employment-status-for-tax>



## INFORMING THE WORKER AND THE AGENCY

The company must provide an SDS (Status Determination Statement) outlining the reasons for the decision to the recruitment agency and the worker.

Once the status has been passed to the agency, the agency is responsible for IR35 compliance

Liability for PAYE tax and employee and employer NICs sits with the workers fee-payer.

**“most  
traditional  
assignments  
will fall inside  
IR35”**

## KEY POINTS FOR CONTRACTORS

- Most companies will treat traditional contract assignments as inside IR35.
- When working with smaller companies (as defined above), the PSC (Personal Service Company) is responsible for determining the assignment status.

### WHY IS THE ASSIGNMENT INSIDE IR35?

Key areas where most assignments fall inside are:

- It is not acceptable to send someone else to do the work in your absence (it is a personal service).
- The work cannot be completed without control and direction (you will be managed).

### KID (KEY INFORMATION DOCUMENT)

The recruitment agency will provide you with a KID (Key Information Document) outlining the full remuneration details of the assignment before you commit.

The KID will provide full transparency on all deductions and charges e.g. Income tax, NIC, umbrella company fees etc.

### WHAT ARE MY OPTIONS?

Enterprise Recruitment can provide contractors with 3 options:

- 1) Use our recommended or your own choice of umbrella company.
- 2) Use your existing Ltd company and we will make the necessary deductions.
- 3) Use our PAYE facility.

### APPLYING FOR JOBS

As the client is likely to have determined the status upfront, jobs should be advertised with the IR35 status.

**“Jobs should be advertised with the IR35 status”**



This document aims to simplify some of the key changes that will affect limited company contractors and employers hiring contract staff. There are still several details that are unconfirmed at the time of writing, please obtain professional legal advice where applicable. Please let me know if you have any feedback, suggestions, or would like to discuss the options we can offer.

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