



# R. M. Rahim & Co.

## Chartered Accountants & Business Advisers

### IR35: Extensions To The Private Sector From 5 April 2020

From 5 April 2020 all medium and large sized businesses will be responsible for assessing self-employed status of their self employed or limited company contractors.

Any business that has less than 10.2 million turnover, assets less than 5.1 million and 50 or less employees are not included in the above provision. However, the business may attract a penalty as usual if they get your self-employed status wrong.

Maintaining a self employed/contractor status may result in lower tax for yourself and no employers NI for the business you contract for. However if you are deemed to be an employee this will usually result in you and the employer paying more tax along with the employer having to pay employers NI on the wages. HMRC has a tool on its website (CEST) that can to some extent show your employee status. If you use this tool you would need to do this on each contract you take on as they may well need to be assessed separately if you haven't standardised your contracts and work practices to be outside of IR35. Before you use this online tool please do pay attention to the rest of this guidance!

The key areas for assessment of self-employment revolve around the following:

#### **Right of substitution**

Can you provide a substitute when you can't fulfil your contract?

#### **Working arrangements**

Do you control how and when you work?

#### **Financial risk**

Is there a monetary risk to you when you take on the contract?

#### **How are you paid**

What are the payment arrangements?

#### **Integration**

Are you treated as any other employee in any way?

#### **Management Control**

Are you responsible for hiring or firing or management of the business you are contracting for?

#### **Interaction with client/patients**

How do represent yourself when working as a contractor?

We recommend self-employed contractors and limited company contractors to consider setting up a group of contacts in the industry who also work as self-employed or limited company contractors to be called in as substitute as and when requested. You should consider using a substitute at least once a year.

As far as financial risk is concerned, one of the factors is provision of your own equipment (within reason). HMRC view is that this should be substantial equipment and laptops and medical equipment may not always be sufficient enough to establish financial risk to prove you are not employed. You also need to consider if your current insurance is adequate to cover some of the financial risks of negligence and liability.

Overall it is extremely important to consider the factors mentioned above and to be aware that working for one company only could result in your status being changed to employment. Therefore, we recommend you to have a number of clients you provide your services to.

Finally, if the company pushes you to change your status you could show them the employment indicator that you can complete after meeting with us which would hopefully indicate you as self employed. You should also write a letter highlighting why you deem your status to be self employed using the points outlined, and maybe even provide them with a contract to reflect this and your working practices. We are aware that the major professional bodies have issued sample contracts for their members to be deemed as outside of IR35.

**There are other points and factors that need to be considered in much more depth for self employed contractors to be certain and well shielded from IR35. We are offering a one off IR35 review considering all the above tailored specifically for you for a fixed fee of only £110.00 exc VAT which should help you position yourself correctly when dealing with IR35 now and in the future.**

**To book in for an IR35 review please send us an email or give us a call as soon as possible.**