

Guide to IR35 and Your Employment Status

This guide has been prepared by Woods Russell Limited to help you understanding your employment status and whether IR35 is relevant to you. If you trade through a Limited Company as a contractor HMRC may challenge your employment status and if they find you have breached IR35 you could be liable for fines and penalties for underpaid PAYE.

This guide is designed to help you understand your employment status and you should work through it with a Woods Russell Tax Expert to understand the consequences fully and how it affects you.

To determine your employment status, you should ask yourself the following questions and consider if the answers you give mean you are genuinely a sub-contractor or if you are an employee:

- 1) **Are you an office holder for the end customer/client:** If you are an office holder for the end customer then you are an employee of them by definition.
- 2) **Can you arrange for someone else to do the work for you?:** Being able to allocate out work to other subcontractors or substitute who can do the work indicates that you are not an employee.
- 3) **Would you be liable for paying someone else to do the work for you, is this in your contract?:** If you have to pay subcontractors and other people to do the work for you then this is a clear signal that you are not an employee.
- 4) **Once you have started the work how much control over its direction and outcome does the end customer/client have?:** If you have control over how the work is done and you have to use your own tools and systems to get the work done then this is a clear indication that you are not an employee.
- 5) **Do you decide your own working hours and where to work from?:** Employees will not normally be given the flexibility to choose their own working patterns. Having the choice of when and where to work is an indicator that you are not an employee.
- 6) **How are you paid for the work and how/are expenses reimbursed to you?:** Employees tend to be paid by the hour or on a fixed salary whereas being paid a fixed price for a particular piece of work is more indicative of a non-employee.
- 7) **If the end client or customer is unhappy with the work who is liable for corrections and errors?:** If you need to spend your own time and money to make up for corrections in your work then this is a sign that you are not an employee. If the main

customer pays you extra for corrections then it indicates that you may be an employee as you are not taking the risk for your work.

- 8) **Do you get sick pay, holiday pay, workplace pensions, maternity pay or other employee benefits?:** Receiving any of these benefits is a clear indication that you are an employee.
- 9) **Do you meet the end clients customers and how to you present yourself to them?:** If you introduce yourself as part of the clients/customers team then you are behaving like an employee of the end customer.
- 10) **Are you responsible for any human resources or line manager duties for the end customer/client?:** Performing the management duties of the end customer is a clear indication that you are an employee.

We hope you find this basic guide useful. If you are uncertain how IR35 may affect you then please get in contact with Woods Russell on the below contact details and we will be happy to help. It is not always black and white as to whether you are an employee or subcontractor and it is about considering a multiple of factors when deciding. You should also aim to do this type of assessment every time you take on a new contract to make sure you are getting your taxes correct.

Please note that although the above was correct at the time of writing, tax laws do change and this could lead to the information above being incorrect, as always please check with us beforehand if you are uncertain about your employment status.

We look forward to hearing from you:

Email us at: info@woodsrussell.co.uk

Phone us on: **01256 973 102**

Or contact us through our website www.woodsrussell.co.uk

Or message us on Facebook or LinkedIn.