



IR35 EXPLAINED

WHAT IS IR35?

Tax legislation introduced in April 2000.
Combats tax avoidance by contractors acting as employees.
Ensures similar tax payments to direct employees.



TAX IN THE UK

The UK has only 2 statuses for tax :

Employed – income is subject to income tax , employees’ National Insurance Contributions (NICs) and Employers NICs.

Self-employed– income is not considered ‘employment earnings’ so different tax treatment applies.

WHAT DETERMINES A CONTRACTORS IR35 STATUS?

INSIDE IR35:

- Considered **an employee** for tax purposes.
- **Employer/client deducts income tax & National Insurance.**

OUTSIDE IR35:

- Considered **self-employed**.
- **Responsible for their own taxes.**

WHAT IR35 MEANS FOR CANDIDATES?

INSIDE IR35:

- Pay income tax and employee NICs.
- Increased administrative workload.
- Lower take-home pay due to higher taxes.
- Restricted ability to claim expenses (e.g., subsistence, travel).
- Processed through payroll (PAYE).
- Limited employment rights (no holiday, sick pay, pension).
- Can use umbrella companies for simplified tax compliance and some employment rights.

OUTSIDE IR35:

- Work through their own limited companies.
- Potential tax efficiencies (claiming business expenses).
- Must understand tax responsibilities and maintain accurate records.
- Seek professional advice if unsure about implications.

WHAT IR35 MEANS FOR EMPLOYERS:

Determine Employment Status:

- Assess if a contract is inside or outside IR35 based on the nature of the working relationship.

Status Determination Statement (SDS):

- Provide a statement declaring IR35 status for each contract.
- Include reasons for the determination.

Deduct Taxes and NICs:

- For inside IR35 contracts, deduct income tax and National Insurance contributions before payment.

IR35 Dispute Processes:

- Implement procedures to handle disputes over IR35 status.

Record Keeping and Reporting:

- Maintain records of employment status determinations and payments.
- Report payments to HM Revenue and Customs (HMRC).

Importance of Compliance Penalties for Non-Compliance:

- Employers face fines from HMRC if they fail to comply with IR35 regulations.

Benefits of Understanding IR35:

- Ensures smooth hiring of contractors.
- Keeps both contractors and HMRC satisfied.



COMPLIANCE & PROFESSIONAL ADVICE

- Ensure compliance with IR35 obligations.
- Maintain accurate tax records and file returns on time.
- Seek advice from specialist recruiters and tax professionals.

HOW INTUITIVE CAN HELP



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