

IR35

IR35 is the common name for the Intermediaries Legislation which was brought in by the Government in April 2000, to combat tax avoidance and counter what HMRC class as disguised employment. A “disguised employee” is a contractual worker who fills a permanent position in your company but doesn’t pay the corresponding income tax and National Insurance contributions (NIC) that a permanent worker would pay.

IR35 has an impact on all contractors who fail to meet the definition of ‘self-employment’ by HMRC. As a director of your limited company you must ensure compliance with all relevant legislation, and take responsibility for determining whether IR35 applies for each of your engagements or not.

If you choose to work ‘outside’ IR35 and take dividends from your company, you run the risk of being on the receiving end of an IR35 enquiry. HMRC will review your circumstances and determine whether or not you have paid the correct amount of tax. Interest and penalties may be charged on any additional tax and National Insurance contributions due.

The only way to be sure whether your contract falls inside or outside IR35 is to have it reviewed by a specialist contractor accountant. Specialist accountants will keep abreast of the UK tax system, all regulations and legislative changes to ensure you stay within the law.

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