



# A Guide to IR35 - When does it apply?



## What is IR35?

A tax law that's been in effect for 19 years now. It's purpose is to put a stop to tax avoidance through the means of "disguised employment"



## When does IR35 apply?

- Using a third party to service clients.
- Hiring **contractors** who service clients in the public sector through a third party.
- Be an employee of your client if the third party didn't exist.
- Office holder for your client - ie. a director or board member



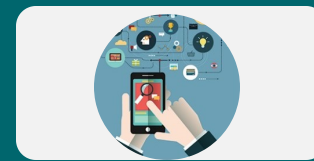
## IR35 in the private sector?

- Operating as a self-employed contractor in the private sector puts the entire burden of IR35 compliance on you.
- You need to test whether or not you fall into the bracket of disguised employment, or else face the music



## IR35 in the public sector?

- Keep it in mind, you need to provide them with the information required to make the decision, so you aren't completely off the hook if it all goes a bit legally pear-shaped down the line.
- Just a heads up.



## IR35 penalties

- 30% of your unpaid taxes if HMRC finds you were negligent or careless about your IR35 status.
- 70% of your unpaid taxes if HMRC finds you knew you were within IR35 but ignored it.
- 100% of your unpaid taxes if you try to hide your IR35 status

