**Who’s affected by IR35**

IR35 is also known as ‘’intermediaries legislation’’.You may need to follow IR35 if you work for your client through ‘’***your own limited company*** (which is considered as an intermediary)’’

The IR35 rules apply to the contract. *Make sure that an IR35 expert reviews your contract before you sign it.* It will be very difficult to amend a contract once you have started work:

**IR35 Rules:**

Factors which are used to determine whether a contractor is likely to fall under the IR35 rules:

1. **Substitution:** you should ensure that your contract allows you to provide a substitute in the event that you are unable to work at your client site due to illness or other eventuality. The [right to substitution](http://www.contracteye.co.uk/ir35_right_of_substitution.shtml) must always be a genuine one, with any costs of providing the substitute met by your own company.
2. **Control:** you don’t have fixed working hours, and have some power over when and where services are provided. You would not expect to receive a great deal of supervision as this is a strong indicator of “employee” status

## Provision of Equipment: employees are provided with equipment by their employer, a “self employed contractor” would expect to provide his/her own equipment.

## Fixed income: If you have a fixed monthly income, this may be an indicator of “employment”.

## Basis of Payment: regular payment cycle is seen as an indicator of “employment” (i.e. daily, weekly, monthly),

## Attending staff meetings: (which don’t relate to your contract work), using “staff facilities” such as the subsidised canteen or gym, and being managed by permanent staff (or managing permanent staff).

## Continuous work: If continuous work is offered by the client, this is another strong indicator of “employment”,

The main purpose of IR35 is to remove the tax advantages of extracting dividends from limited companies, where work carried out by the company’s director is more akin to an ’employee’ rather than a ‘self employed’ person. If IR35 rules apply then you will be liable to employment taxation and National Insurance (N.I.).

The following expenses can be claimed to reduce tax and NI:

* flat rate deduction of 5% of the gross fees receivable for any relevant contracts and you do not need to provide receipts.
* Pension payments
* Business travel - incurred wholly and exclusively for business duties
* Subsistence - accommodation, meals while away from home. Usually 5 miles radius
* Professional insurance or professional fees