

IR35 article: Working practices

This article should be read in conjunction with 'IR35 - Contractual Issues'.

1. Equipment and premises

Can the contract work be done off-site and does the contractor provide the equipment to fulfil the contract? In many cases it is necessary for the contractor to work on the client's site with their equipment, this can be a pointer to employment although it is only a minor pointer.

2. Personal Factors

These factors relate to how the individual contractor conducts their business. It would be beneficial to look at the draft guidelines and examples given by the Inland Revenue of Henry, Gordon and Charlotte (Inland Revenue Examples).

[IR Employment Status Examples](#)

Other contracts

The IR will look at whether you have other contracts and clients. If the other contracts are deemed to be one's of self-employment, it is more likely that a borderline contract will be deemed to be one of self-employment.

Previous Contracts

If your history shows that you have been previously self-employed before you started the limited company this goes in favour of self-employment in a borderline case, (Charlotte).

If, however, you were an employee directly before you started the limited company and began contracting you are more likely to be deemed a disguised employee in a borderline case, (Henry).

3. Advertising

If the contractor has a business-like approach to obtaining engagements this will point towards self-employment. What is your expenditure budget for advertising and marketing your services. A website is a good way to advertise as is the local paper.

4. 'Part & Parcel'

Does the contractor become 'part & parcel' of the client's organisation? In most cases the contractor does not they simply do their job. The advice is to keep yourself to yourself.

5. Employees

If you are a 'working' director of your limited company with employees you will still be vulnerable to IR35. So, having employees does not necessarily indicate self-employment.

6. Stationery and Invoicing

Every genuine business should have businesses cards and headed paper for letters, invoicing, memo's. comp slips, etc. It has been a factor in some cases. The court took the opinion that there was no proper business because the business had no identity.

7. Insurance

Most businesses have insurance and if they don't they should. It would be wise to invest in the following:

Professional Indemnity:

This covers you if someone decides to sue you on work that you have done. It is a good indication of a responsible professional in business on their own account. Cover should be a minimum of £1 million. The cost varies and is dependent on discounts and personal circumstances, expect to pay anywhere between £200 - £500 a year.

Combined Commercial Insurance:

This is general business insurance for example business interruption, property and contents, all risks, public liability, security for cash held, etc.

Tax Protection Insurance:

This is essential now because of IR35. It gives protection if you are investigated by the Inland Revenue. Everyone should have it. It costs around £50.00 a year at present although the insurance companies might put cost up because of IR35 and the likelihood of being investigating.

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