

# Preparing For IR35

M.J. Kane & Company Accountants Ltd.

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THERE IS NO SUBSTITUTE FOR EXPERTISE



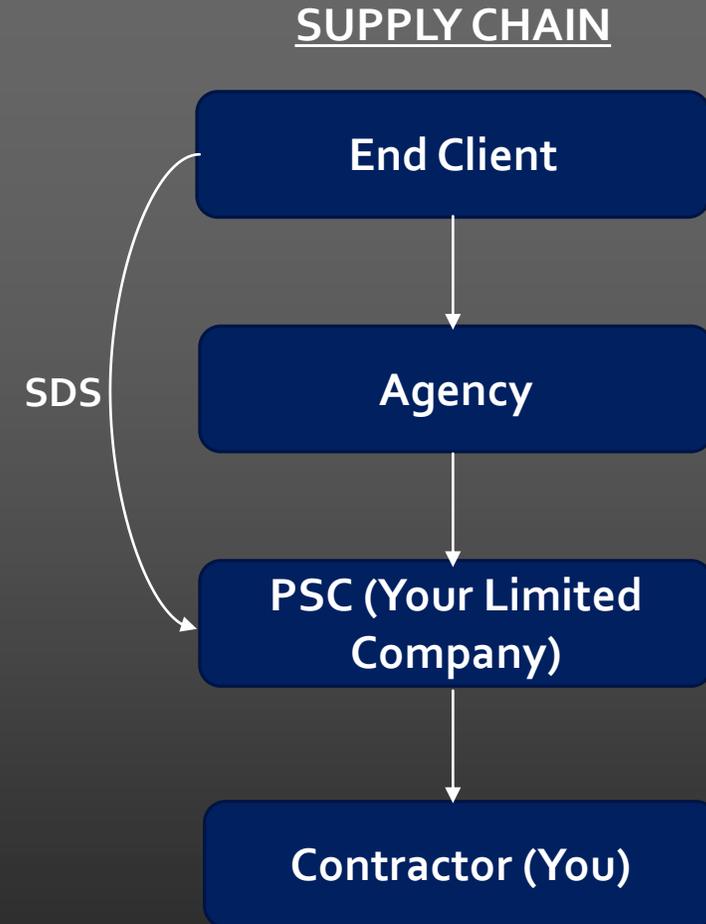
# Introduction

- Breakdown of what exactly is involved in IR35
- How IR35 will affect the Contractor – How will your usual business practices be effected?
- How can M.J. Kane help?

# What Is IR35?

# IR35

- IR35 has been introduced, by HMRC, in order to determine whether a contractor is self-employed or an employee. Currently the contractor (PSC) decides on their status.
- An SDS or Status Determination Statement is a document which defines the type of engagement you have with the end client and dictates whether you will continue to operate as a limited company or whether you will pay Tax and National Insurance Contributions as an employee
- From April 2020 the Status Determination Statement (SDS) will be handled by the 'End Client' and the determination passed down the supply chain.



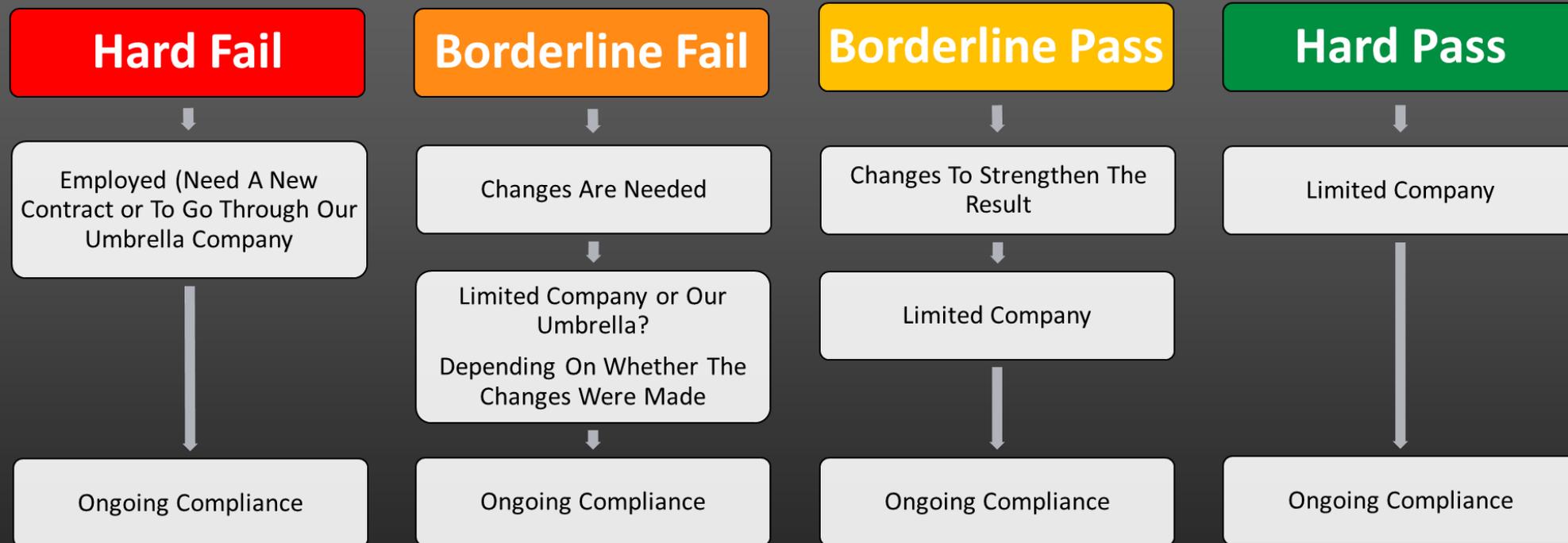
# IR35

- The issues surrounding the status determination have not changed. At M.J. Kane we like to think in terms of 'Factors'. Each factor has a 'Weight' associated. The heavier the weight associated to that particular factor, the more important that factor is in the determination of your IR35 status.
- Heavy Weighted Factors
  - Personal Service – Can you provide a substitute?
  - Control – Can you decide how the work is done?
  - Mutuality of Obligation – E.g. Continuity of work
- Light Weighted Factors
  - Financial Risk – Do you have any financial risk?
  - Business Enterprise – Do you handle your invoicing, have business liability insurance, have other factors which build up the picture of you being in business on your own account?

# How IR35 will affect the Contractor?

# IR35 – 4 Status Determinations

- At M.J. Kane we categorise a contractors status as one of four determinations.



# IR35 – The Results

- HMRC and tribunals will firstly consider the heavy factors. Can you provide a substitute and do you have control over how the work is carried out?
  - If you fail to meet both of these factors then you will be classified as 'Hard Fail'
  - If you fail to meet one of these factors you will likely be considered as 'Borderline Fail'
  - If you can meet both of these factors you will likely be considered as 'Borderline Pass' or 'Hard Pass', depending on how many 'Light Factors' you can meet.
- Although HMRC have only identified a couple of 'Heavy Weighted Factors', at M.J. Kane we consider over 100 factors, by assessing, your contract, working practices, case law and their outcomes to ensure our contractors receive the most accurate determination.

# IR35 – Effects

- Based on your determination, IR35 can effect you in one of two ways.
  - If you are deemed 'Inside IR35' (a 'Fail' result) you will need to either, appeal the determination, operate through an Umbrella company; in which case you will lose approximately 40% of your income through Tax and NIC, or you will need to consider leaving the contract and seeking out a new one.
  - If you are deemed 'outside' IR35 (a 'Pass' result) you will not be affected by IR35 and it is business as usual.
- It is important to note at this point you can appeal the status determination after April 2020 should you disagree with the outcome your end client or recruitment agent arrives at.
- This appeal process will allow us time to work on your case to show why your outside IR35, or make relevant changes to increase your chances of being outside IR35, should they deem you inside.

# IR35 – Key Points

- PSC's are no longer the decision makers on the determination
- You will have an appeal process – Which M.J. Kane will help you with
- There are 4 status determination outcomes – Hard Fail, Borderline Fail, Borderline Pass & Hard Pass
- If you are outside IR35 it is business as usual!
- If you are inside IR35 you will need to appeal the determination, use our Umbrella Company or seek an alternative contract

# How Can M.J. Kane Help?

# M.J. Kane – We Have Your Back!

- M.J. Kane have a dedicated team for IR35 compliance, we have extensive experience and expertise in the area.
- M.J. Kane have guidelines to ensure that a contractor can stay outside the scope of IR35 through the use of specific contracts, and analysis of working practices, case law and their outcomes. The solution is primarily to set processes and contracts in place to increase the likelihood of our contractors being deemed outside IR35 as well as take all the legal and financial responsibility away from our contractors, their recruitment agent and their end client.
- We will make the determination for you, we will advise you on your outcome and any changes you need to make if possible. We will stand over our determination by covering any tax losses, thus taking away the financial liability for you and the end client.
- You will receive a 20 page independent status review and verified certificate all approved by HMRC which you can then provide to your end client or agency.
- Additionally, if you are deemed inside IR35 we will put you through our Umbrella Company until your appeal is completed or you find a new contract outside IR35.

# M.J. Kane – We Can Handle The Review!

- You need to start talking to your Recruitment agents and End Clients now.
- Contact us for your independent review and once our compliance team has determined your status speak to your agency or end client and say:

*'I've had my status independently reviewed by M.J. Kane, they have determined it to be outside IR35, here is their report detailing how they arrived at the determination, approved by HMRC.*

*As well, M.J. Kane are so confident in their determination of the engagement they are prepared to insure it for all financial liability and will cover all tax losses that may arise at any level on the supply chain.'*

- You will have a much stronger chance of getting agreement to that determination.

# M.J. Kane – Get In Touch!

- It is important to move fast with IR35. Contact our offices today if you have any questions regarding how it will effect you, please email us at – [contractors@mjkane.co.uk](mailto:contractors@mjkane.co.uk)
- **More importantly**, contact your agency to see what they have planned! If they have nothing in place, have them contact us, we can get contracts in place for them to help ensure all of their contractors are outside IR35 come April 2020.

**We will take the financial risk so  
you don't have to!**



**We Are The People's Accountant  
There Is No Substitute For Expertise**