

Best practices to avoid an IR35 tax investigation

Introduction

Challenges by HMRC for [IR35](#) status are normally triggered from [self assessment enquiries](#) or business reviews. Avoiding these reviews is of vital importance.

This article discusses some actions you can take to minimise the risk of investigation.

Why you want to avoid an investigation

The employment status of workers can be difficult to reach a satisfactory conclusion.

Even when comparing judgements on similar cases some aspects are given more weight than others. It is not a case of ticking boxes to decide on the status of workers, but instead to consider "the whole picture".

When dealing with a Self Assessment Enquiry or a Business review you will be "fighting against" experienced Revenue officials who will either be auditors or Tax Inspectors.

Whilst the Revenue has lost some tax cases over the last few years, you do not get to see all the ones the Revenue win!

Whilst working for the Revenue, ex inspector Ray McMahon, obtained results in over 80% of all reviews. The Revenue expects to win most arguments and few ever go before the Commissioners or the Courts. Of those that do only a few of these are lost by the Revenue.

Tax investigations can be very stressful and time consuming and also cost you lots of money, considerably so if the Revenue decide you are in fact "a disguised employee".

“ Tax investigations can be very stressful and time consuming and also cost you lots of money. ”

To find out how much being caught by IR35 will cost you use the [IR35 Tax Calculator](#).

Practices to avoid an investigation

- o Ensure all tax documents are completed accurately and do not have mistakes on them with crossings out and a lot of correction fluid;
- o Ensure that all tax demands are paid on time with all payments being sent to the correct office or processing centre;
- o Take [professional advice before you sign any Contract](#) from either an agency or a client;
- o The contract should make it clear from the clauses and conditions that you are an independent contractor not an employee;
- o Make sure all expenses are categorised correctly on any Self Assessment (SA) return;
- o If there are any significant changes to any expenses on the SA return, include a note in "additional notes" as this can make it clear to the Revenue there is a perfectly good explanation for these changes; and
- o If you have ever been instructed by the Revenue to make changes to your records, make sure these are done. If they're not, then you will be listed for another review in only a couple of years.

Next steps

Seek professional advice if you have an investigation pending, and also if you feel that you may have made mistakes in the past that need rectifying for the future.

Published: Wednesday, October 11, 2006

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