

## When should contractors start considering IR35?

### Introduction

Many contractors, particularly first timers, wait until they have signed a contract before they start addressing [IR35](#).

Waiting to address IR35 until after you have signed the contract significantly increases your chances of being caught by IR35.

This article discusses the best time for addressing the issues to reduce the [financial impact of IR35](#).

### Easy pickings for HMRC

Contractors can no longer declare themselves to be 'self employed' simply because they sign a contract with the client or an agency.

Their IR35 status depends on their contract and working arrangements as defined with [IR35 case law](#).

Contractors who have not taken steps to avoid IR35 could easily find themselves caught as a 'disguised employee'.

HMRC discovers many contractors who have a signed agreement in place, which when checked, often shows that they are in fact an employee.

They then calculate how much Tax, National Insurance, interest and penalties needs to be paid. The Revenue can also go back 6 years to recover additional liabilities.

If you are caught by IR35 and receive an extra tax bill, then you may only have 3-6 months to repay 6 years of additional liabilities. This can often be very difficult and seriously affect cash flow.

You can find out how much IR35 would cost you using the [IR35 Tax Calculator](#).

Thus, it is very important for the contractor to consider their IR35 position at a number of check points.

### Checkpoint 1: Before starting your own business

An ideal time to consider IR35 is before you start your own business. Some aspects to consider:

- o How many Contractors have started their business and started work in the belief they are self-employed?
- o Have you considered the terms and conditions you will work to?
- o Do these terms and conditions make you self-employed or not?

If you haven't considered these points then it is only a matter of time before the Revenue catch up with you.

If you are considering setting up your own business, you need to consider the terms and conditions that you will be working to. If you want to be outside the scope of IR35, then your working conditions must be that of a self-employed Contractor and not that of an employee.

### Checkpoint 2: Before signing a new contract

It is of the up most importance to get any new contract [professionally reviewed](#) before you sign it together with your working arrangements.

You can provisionally check it yourself to [determine if the contract passes IR35](#) but you should always use a professional.

If you sign the contract without getting it reviewed you will eliminate any opportunity to [negotiate your contract for IR35 compliance](#).

### Checkpoint 3: Get all existing and historic contracts checked

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“ Contractors who have not taken steps to avoid IR35 could easily find themselves caught... ”

“ It is of the up most importance to get any new contract professionally reviewed before you sign it... ”

As a matter of urgency, to protect you from future Revenue action, you should have any current contract reviewed, together with any historic or future ones.

The Revenue's opinion is that if you have been working for the same Client or through an Agency for the last 2 years, then you should be treated as an employee.

### Conclusion: Act now

It is important to have your contracts reviewed, so you can establish your status now and protect yourself and your business before any action from the Revenue.

Don't delay asking for a contract review as the Revenue are targeting all businesses, and getting very good results from finding errors in the status of Contractors.

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- [What is IR35?](#)
- [Financial Impact of IR35 on Contractors](#)
- [How to Determine if Your Contract Passes IR35](#)
- [Getting Your Contract Reviewed For IR35](#)
- [First-time contracts for contractors](#)

#### Related Calculators:

- [IR35 Calculator](#)
- [IR35 Taxes Calculator](#)
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