

The importance of taking legal advice for IR35 compliance

Introduction

IR35 is a complex subject. Being caught by [IR35](#) is expensive. You can find out how expensive using the [IR35 Calculator](#).

This article explains why you should take professional legal advice when both reviewing your IR35 status and also in disputes with the Revenue when they challenge your employment status.

Clients and agencies protect themselves - so should you

Both clients and agencies take legal advice for the content of the contracts which their contractors (you) eventually sign. They do this to protect them from any legal challenge or action from HMRC, another Agency or you as the Contractor.

After an inevitable HMRC inspection every 5-6 years neither the client nor the agency wants a huge tax bill for the contractors they have used in the past. They will want to ensure that any tax liability is passed to the contractor.

This inspection can then involve you, the contractor, in discussions with the Revenue about your contract or even start a Self Assessment Enquiry of your own business.

It is thus equally important that contractors also take legal advice to protect their interests, namely the risk of IR35.

Cost of failing IR35

There is a huge difference in your net income depending on your IR35 status. Depending on your contract rate it can range between £2,000 and £10,000 per annum.

You can find out exactly how it affects you using the [IR35 Tax Calculator](#).

To maximise your net income it is important to take legal advice and ensure you remain outside IR35.

Status challenges

As a contractor you will be inspected by HMRC, on average, every 5-6 years.

They will challenge the tax status of each contract and will go back 6 years. It is thus important to ensure your affairs are water tight with respect to IR35.

It is very important to take legal advice to protect yourself against challenges from the Revenue. If you don't take any legal advice then there is no one to protect your interest.

The best Revenue results are achieved when the client or contractor is not prepared for the review.

Conclusion

If you are about to sign a new contract then you should immediately ask for a review to protect your own interests.

Also, if you have been paying tax in previous years as though you are outside IR35 and have not had your contracts reviewed you should do so immediately.

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