

## HMRC's new IR35-related business entity tests, scenarios & guidance finally launched

HMRC has formally launched its new and much anticipated '[business entity tests](#)', as well as six new IR35 example scenarios and related guidance, including details of a new helpline staffed by specialists, for contractors.

These are the one concrete outcome that has come out of a year's work by the [IR35 Forum](#), which was set up by Chancellor George Osborne to formulate ways to [better administer IR35](#). But early indications are that they add little, if anything, that will improve the poor track record HMRC has of accurately identifying limited company contractors who may be '[disguised employees](#)'.

The draft business entity test questions, which were leaked to and [published](#) by ContractorCalculator.co.uk in April 2012, appear to have changed little, despite the widely reported disagreements over them among IR35 Forum members.

Perhaps more significantly, HMRC has chosen to retain the same scoring that will be applied to contractors' answers. This would appear to put the vast majority of genuine limited company contractors at medium or high risk of their businesses being branded as not being genuine companies. And the result of that may well be HMRC continuing to waste time and resources investigating cases it has little or no chance of winning.

"That would hardly help matters," says ContractorCalculator CEO Dave Chaplin. "A real improvement to the administration of IR35 would bring clarity to IR35 issues, leave genuine limited company contractors free to run their businesses, and accurately target the small minority of disguised employees who have been effectively passing themselves off as real businesses."

But Chaplin urges contractors not to be too concerned: "Despite the apparent changes to IR35's administration being trumpeted by HMRC, the underlying IR35 legislation remains unchanged. So limited company contractors should continue to follow IR35 best practice. That way, if they 'fail' the new business entity test and find themselves subject to an HMRC status enquiry, the case can be swiftly dismissed or properly defended."

ContractorCalculator will publish additional reaction to and guidance on the new business entity test in the coming days.

Published: Wednesday, May 9, 2012

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