

Off-Payroll audit guide: How to use assessments to identify working practice pitfalls



Status Determination Statement

As per Chapter 10 of the Income Taxes and Earnings Act (ITEPA) 2003, this document certifies that the engagement has been assessed.

Under the Off-Payroll rules, IR35 assessments are a legislative requirement to determine a contractor's IR35 status. But for hiring organisations and their recruitment partners, they also offer value beyond compliance.

The accumulative data generated from a firm's IR35 assessments ultimately helps create a profile of that company's working relationship with its contingent workers. If interpreted and harnessed correctly, this data can be used to inform future compliance decisions resulting in various commercial benefits.

By identifying and addressing the IR35 working practice pitfalls that your organisation is most susceptible to, you can legitimately ease your long-term compliance burden and mitigate the cost of the Off-Payroll rules.

The importance and benefits of IR35 risk analysis

The ultimate benefit of an approach to Off-Payroll compliance which offers a genuine insight into your organisation's working practices is the fact that it can inform decisions to mitigate IR35 risk and enable your contractors to operate compliantly outside of IR35. This in itself creates a number of practical and commercial benefits for both end-client and recruitment partner, including:

- Negating unnecessary administration and expense on employment tax liability
- Avoiding difficult contract renegotiations with contractors who otherwise would have been caught by IR35
- Attracting the best contracting talent to your firm/agency

All of the administration and cost associated with the Off-Payroll rules concerns contractors who are 'inside IR35'. So, it makes sense to adopt an approach which enables you explore potential compliant ways to reduce IR35 risk across your workforce as a whole. From this, you can expect heightened interest from contractors who aren't able to secure a fair IR35 assessment elsewhere.

In order to mitigate IR35 risk, you first need to identify the typical working practice pitfalls that are causing you problems. Your ability to do so will depend on your chosen Off-Payroll compliance solution.

How to identify and address IR35 risk factors

When analysing your contract engagements for IR35 risk, there are a number of questions you should consider:

- What are the common status issues across the workforce?
- Why are certain groups of contractors receiving common determinations?
- What working conditions can realistically be changed to reduce costs?

To answer these questions requires IR35 expertise and a unique insight into the characteristics of your firm's contract engagements. It sounds like an expensive and time-consuming proposition, but it's a task which can be achieved with [IR35 Shield](#).

Statistical reporting with IR35 Shield

IR35 Shield is an automated compliance solution which saves all status assessment data in its database. Far from leaving the user to collate mountains of data from individual reports, its 'statistical reporting' feature analyses data from status determinations across a company's entire contingent workforce to illustrate areas where patterns may be forming.

The output is a host of different reports providing a visual representation of the IR35 factors impacting the organisation, and clear answers to the IR35 risk factor questions previously highlighted, ready to be acted upon.

For example, IR35 Shield's 'status factor analysis' report enables you to determine the specific areas of employment case law affecting your workforce most. It does so by assessing contracts in relation to each specific IR35 status factor, and displaying the portion of engagements subject to strong pointers towards employment in either category.

The 'mutuality of obligation: key factors' report distinguishes engagements based on whether they contain certain characteristics pertaining to mutuality of obligation (MOO). For example, this report might highlight that you have a worryingly high portion of contingent contracts containing a termination notice and minimum guarantees of work, which are solid indicators of MOO and pointers towards deemed employment.

Remember, any contractual change made as a result of an IR35 risk assessment needs to be reflected in the ongoing working practices in order to be compliant. This exercise isn't a case of introducing IR35-friendly clauses to contracts if you have no intention of applying them in practice.

A number of filters are also available, enabling users to customise the results based on the degree of IR35 risk, the contract rate, or by the date that the contract becomes active. IR35 Shield also provides more pertinent compliance recommendations, highlighting contractual changes that can be applied across the workforce to negate identified risk factors.

Identifying IR35 risk factors: part of the Shield Passport Process

Identifying and addressing IR35 risk factors within the workforce is just one of a number of compliance requirements imposed by the Off-Payroll rules. For more comprehensive guidance on mitigating IR35 risk in the workforce, and further compliance advice, book a [Shield Passport Process \(SPP\)](#) workshop.

This four-stage, 12-step compliance process has been developed by industry experts IR35 Shield and Professional Passport. It's open to recruitment partners and their clients who, over the course of three hours, can learn a structured, compliant approach which effectively mitigates workload and costs created by the Off-Payroll rules.

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