

Contractor doctor: can contractors using umbrella companies be caught by IR35?

Dear Contractor Doctor,

I am new to the contract market. In fact I am still in permanent employment but have recently been interviewed for a contract position.

I have been in contact with an umbrella company whose literature states that by working through them I will be considered a permanent employee and therefore not open to IR35 investigations.

I have read that contractors working through umbrella companies CAN be caught by IR35.

What is your opinion on this matter? Can contractors using umbrella companies be caught by IR35?

[Name supplied]

Dear Contractor

If the [umbrella company](#) is stating that you will be considered a permanent employee then this means that you will be treated as if caught by [IR35](#) and that they are operating a PAYE umbrella.

All contractors can be caught by IR35 irrespective of their payment structure.

If you are being treated as a permanent employee, then naturally, you would not be open to investigations because you are not attempting to prove you are NOT caught.

There are two main options for contractors to structure their finances: PAYE umbrella or Limited Company. You can read about these here:

[What is an Umbrella Company?](#)

[Deciding on a Payment Structure: Limited Company or Umbrella](#)

Here's my advice for your next steps:

Secure a contract.

Get IR35 legal advice and [negotiate your contract for IR35 compliance](#).

Then decide how to set up your finances.

The reason for this order, particularly number 3, is that the choices you have for how you set up your payments will depend on your IR35 status. This is all discussed in the [second article](#).

Do as much as you can to pass IR35 though. The [financial impact of being caught by IR35](#) is considerable. These articles will help you:

[Financial Impact of IR35 on Contractors](#)

[Getting an IR35 Free Contract and Passing IR35](#)

[Negotiating Your Contract for IR35 Compliance](#)

These real life stories of permanent employees moving to contracting might be helpful for you:

[Moving From Permanent To Contracting - Case Study 1](#)

[Moving From Permanent To Contracting - Case Study 2](#)

[Moving From Permanent To Contracting - Case Study 3](#)

Good luck with your contracting.

Contractor Doctor

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