



Off-payroll working rules (IR35)

Case study: perspective of contractor and client

This is a scenario showing how the process works for off-payroll working rules (IR35) from the perspective of both contractor and the client.

Contractor

Vasilis is a 38-year-old risk management consultant for a large pharmaceutical company. He has set up a personal service company (PSC). His contract was agreed for seven months followed by a month by month rolling basis.

Vasilis is approached by his client, who has considered the off-payroll rules and determined that his work falls within the rules. He is given a 'Status Determination Statement' which sets out the decision and the reasons for it.

This means that the client's view is that he would be classed as an employee for tax purposes for the work. The outcome was determined because he works in a way similar to that of an employee. This is for a number of reasons, including that the client controls where he works, he has management responsibilities and he is unable to take on other work alongside his role.

Income tax and National Insurance contributions (NICs) is now deducted before Vasilis receives his payment.

Vasilis is still required to submit a tax return, but relief is available for the tax already paid.

Client

Andrew works in the finance department of a large pharmaceutical company.

Andrew learns about the changes to off-payroll working rules in a letter from HMRC. He uses guidance on GOV.UK to learn more. Andrew is allocated the task of identifying which contracted workers will be affected by the change.

Andrew uses Check Employment Status for Tax (CEST) on a case by case basis to determine who will be affected and contacts them individually.

One contractor Andrew contacts is Vasilis, a risk management consultant. Having established that Vasilis is deemed to be an employee for tax purposes, Andrew sends Vasilis a Status Determination Statement (SDS).

As the company pays Vasilis's PSC directly for the work, Andrew now sets him up on PAYE and deducts income tax and National Insurance contributions (NICs) before paying him for his services.