Off Payroll Rules (IR35) Guide For Hirers



Unlocking Potential, Driving Growth

Presented by

Lee Durrant and Theresa Babbs-Durrant

More Information

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Introduction

This guide is designed for hirers, employers, and end-client companies wishing to utilise the services of a contractor. It provides compliance guidance for determining the off-payroll working status (IR35) of contractors operating through a Personal Services Company (PSC).



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Key Status Indicators: Inside vs. Outside IR35

When determining status, you must look at both the contractual terms and the actual day-to-day working practices.

Assessment Factor	Indication of Outside IR35 (Self-Employed)	Indication of Inside IR35 (Deemed Employee)
Project & Deliverables	Project-based with a clear completion date, specific milestones, and defined deliverables.	Detailed, generic job description; ad-hoc, ongoing work with no clear end date; moving across multiple general projects.
Autonomy & Control	Full autonomy over how, what, where, and when services are delivered. Uses own methodology.	Expected to follow specific instructions on how tasks are carried out, similar to a regular employee.
Right of Substitution	The PSC can provide and fund a qualified substitute worker if the main contractor is unavailable.	The client requires personal service and would refuse a substitute for reasons other than skills/clearance.
Financial Risk & Remedy	Must hold business insurance. Errors or defects must be rectified at the PSC's own cost and time.	Standard employee benefits are offered (holiday/sick pay, pension). No financial risk for errors.
Mutuality of Obligation	The contractor can decline additional tasks outside the contracted scope without starting a new agreement.	The worker cannot decline alternative work offered by the organisation.
Integration & Perks	Treated differently to staff (e.g., separate contractor email signature, contractor ID badge, excluded from general staff meetings).	Treated the same as employees, attends company internal meetings, or receives company training.

CRITICAL REGULATORY UPDATES

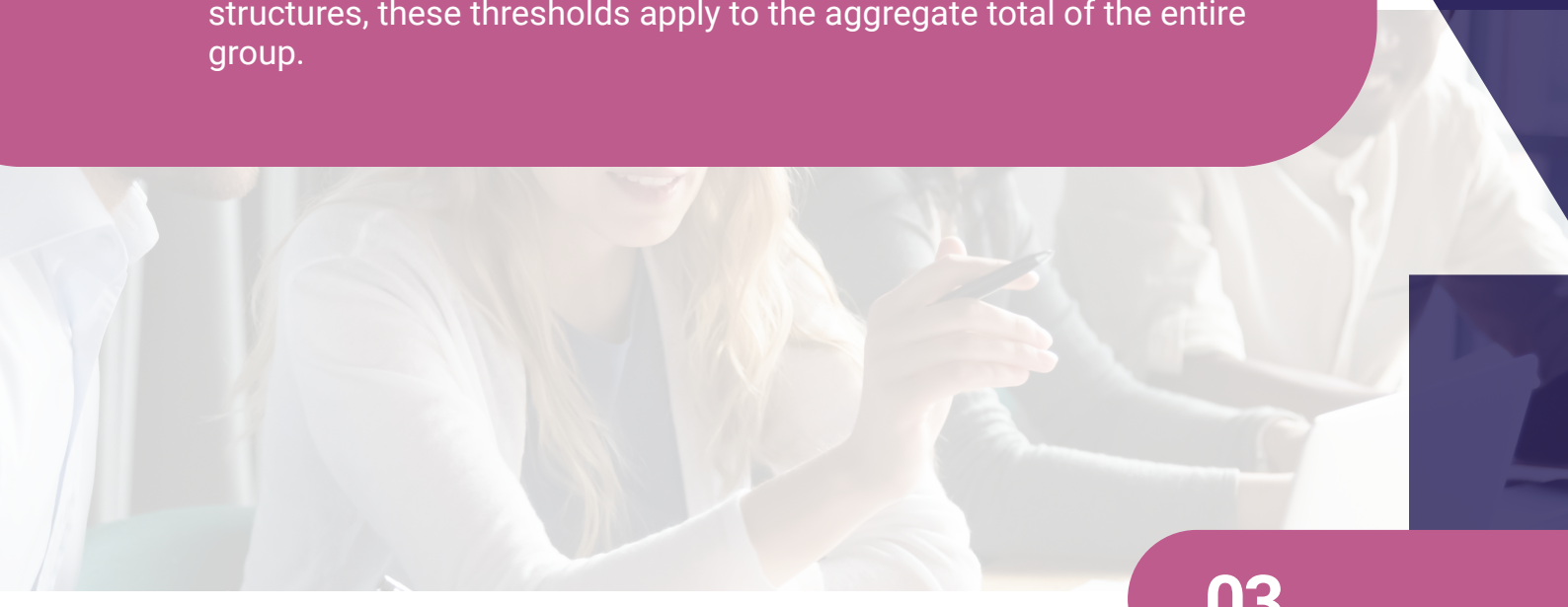
1. The IR35 Offset Mechanism (Fairer Taxation)
Previously, if HMRC disagreed with an "Outside IR35" determination, the end-client/fee-payer was penalised for the full PAYE tax and National Insurance (NIC) amount, even if the contractor had already paid tax on that income through their PSC.

The Rule: HMRC applies an offset mechanism. If a status determination is overturned, HMRC will deduct the Corporation Tax, Dividend Tax, and Income Tax already paid by the contractor from the client's overall PAYE bill. This stops double taxation, though clients remain liable for Employer NICs and potential penalties if "reasonable care" was not taken.

2. New 'Small Company' Exemption Thresholds
Small businesses (the end-user) in the private sector are exempt from these off-payroll rules, and the responsibility reverts back to the contractor. The financial thresholds defining a "Small Company" have increased:

- **Annual Turnover:** Must not exceed £15 million (previously £10.2m).
- **Balance Sheet Total:** Must not exceed £7.5 million (previously £5.1m).
- **Number of Employees:** Remains at 50 or fewer.

Note: Your business must meet two out of three of these criteria over two consecutive financial years to claim the exemption. For corporate group structures, these thresholds apply to the aggregate total of the entire group.



Compliance Requirements for Hirers

Issue a Status Determination Statement (SDS):
It is the legal responsibility of the Client (Hirer) to assess the contract. You must provide the contractor, and every agency / intermediary in your supply chain, with a written Status Determination Statement (SDS) before work begins, detailing the reasons behind your decision.



Status Determination Tools:
You can use the government's official Check Employment Status for Tax (CEST) tool to generate an assessment. Ensure answers mirror actual working practices, as generic or inaccurate inputs will invalidate your defence against tax liabilities.

Maintain Auditable Records:
To benefit from the IR35 offset mechanism in an audit, hirers must maintain clean records of the contractor's full name, National Insurance number, and their PSC's company registration / VAT numbers



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EXAMPLE: STATUS DETERMINATION STATEMENT (SDS)

Company Name: _____

End-Client Organisation: _____

Assessment Completed By: _____

Contractor / PSC Name: _____

Determination: Based on the information provided, it is our opinion that this engagement falls [INSIDE / OUTSIDE] of IR35.

Key Reasons for This Decision:

Substitution:
[ ] A genuine right of substitution exists, and you intend to substitute and pay an alternative worker via your business if required.
[ ] Personal service is required; a right to provide a substitute is not genuine or contractually permitted.

Control & Supervision:
[ ] You operate independently and are not subject to direct monitoring, task instruction, or supervision by management.
[ ] You are subject to direct supervision, management instruction, and monitoring, representing a feature of employment.

Mutuality & Independence:
[ ] You do not need client permission for time off (notifying only out of professional courtesy). You hold independent business insurance, use your own equipment, and maintain a separate operational identity.
[ ] You must seek explicit permission for time off, are integrated into internal staff infrastructures, or utilise company-provided perks.

Declaration: We have taken all reasonable care in completing this Status Determination Statement. All information is true and accurate to the best of our knowledge.

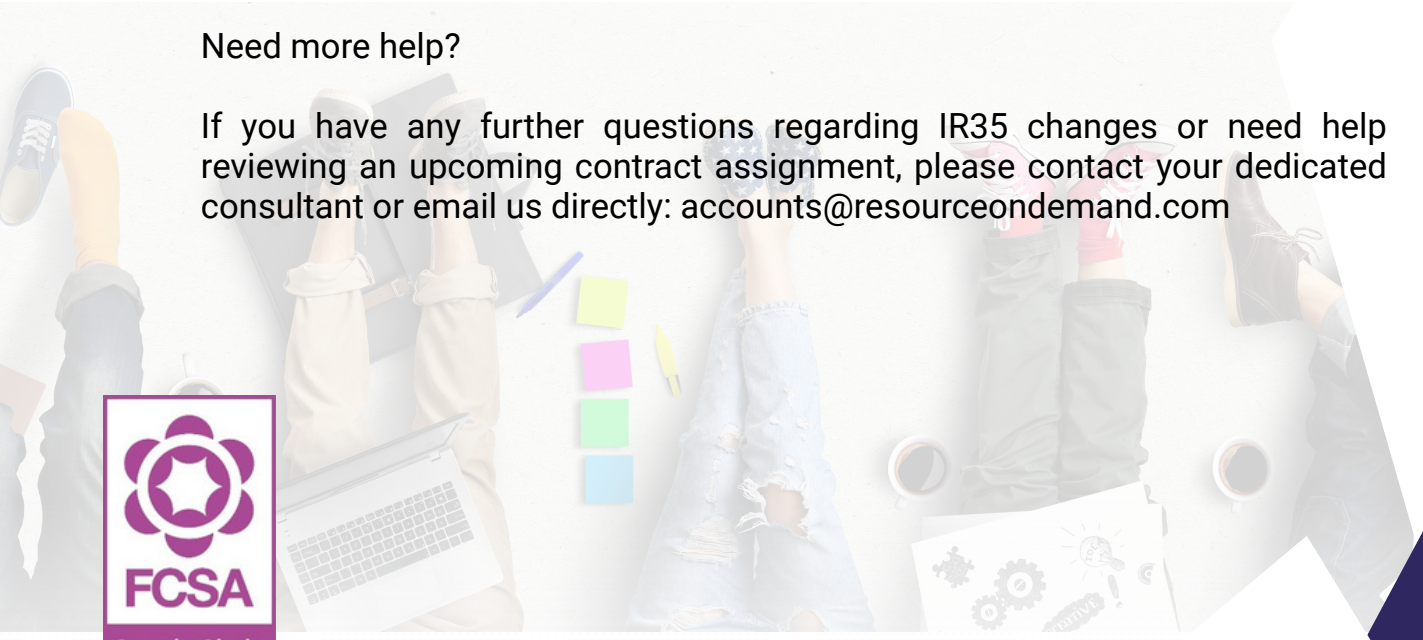
Signed: _____
Date: _____

Our Commitment to Compliance

Resource On Demand is committed to an open, transparent, and fully compliant supply chain. We are an accredited Supply Chain Partner of the Freelancer & Contractor Services Association (FCSA) and strictly adhere to their Partner Charter.

Need more help?

If you have any further questions regarding IR35 changes or need help reviewing an upcoming contract assignment, please contact your dedicated consultant or email us directly: accounts@resourceondemand.com



FCSA
Supply Chain Partner

DISCLAIMER

This document does not constitute professional legal or tax advice and is intended as a guidance framework only. Employers and hirers should seek independent legal counsel on specific off-payroll working arrangements.

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About Resource On Demand

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We've been working in the Salesforce and SAP space since 2007, assisting innovative and disruptive organisations to grow their digital transformation teams. We've been supporting companies of all sizes to fill roles that span across Salesforce, SAP, digital transformation, marketing automation, data management, Human Capital Management, both contract and permanent.

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