



## IR 35 Personal Service Companies

The IR35 rules are designed to prevent the avoidance of tax and national insurance contributions through the use of personal service companies and partnerships.

The rules do not stop individuals selling their services through either their own personal companies or a partnership, however, they do seek to remove any possible tax advantages from doing so.

### Removal of tax advantages

The tax advantages mainly arise by extracting the net taxable profits of the company by way of dividend. This avoids any national insurance contributions which would have been due if that profit had been due if the profit has been released as remuneration or bonus.

The intention of the rules is to tax most of the income in the company as if it were salary of the person doing the work.

### To whom does it apply?

An example is an individual who sold his/her services to mainly one customer. An individual providing similar services to many customers is less likely to be affected.

### HMRC will consider the following to decide whether a contract is caught under the rules.

Mutuality of obligation	The customer will offer work and the worker will accept it as an ongoing obligation?
Control	The customer has control over tasks undertaken, hours worked etc?
Equipment	The customer provides all the necessary equipment?
Substitution	The individual can do the job himself or send a substitute?
Financial risk	The company (or partnership) bears financial risk?
Basis of payment	The company (or partnership) is paid a fixed sum for a particular job?
Benefits	The individual is entitled to sick pay, holiday pay, expenses etc?
Intention	The customer and the worker have agreed there is no intention of an employment relationship?
Personal Factors	The individual works for a number of different customers and the company (or partnership) obtains new work in a business-like way?



---

This fact sheet is published for the information of clients. It is intended as an overview of the regulations in force at the date of publication. Users should consult with detailed legislation or seek professional advice.

Therefore no responsibility for loss by any person acting or refraining from action as a result of the material can be accepted by the authors or the company.