



The benefits of working inside IR35 via your limited company

You will probably have originally decided to contract via a limited company because this method of working is known to be the most tax efficient way to operate as a freelance professional, particularly when 'outside' IR35.

As you have now received an 'inside' IR35 assessment it will be necessary for you to once again review your options and decide on the best way forward.

You may decide to leave contracting and accept permanent employment or you may prefer to work through our [umbrella company](#) 

Our [umbrella company](#) will offer you a simple solution to paying employment taxes and will provide you with employment rights. However, you will lose your individual autonomy if you choose this option and close your limited company.

There is another way

It is important to realise that even with an 'inside' IR35 decision all is not lost. It is possible

to continue working through your limited company quite productively, effectively and even, with potentially what attracted you to 'Ltd' in the first place, completely intact.

This is an important point to remember because despite all the HM Revenue & Customs rhetoric to the contrary, many contractors aren't actually motivated to personal service companies (PSCs) because of the tax-saving.

It's the freedom to choose which contracts to accept and the independence to work when, where and how they want which attracted them to contracting in the first place.

If you are now deemed to be 'inside' IR35 the 'fee-payer' in the supply chain will be obliged to deduct the appropriate tax and National Insurance (NI) from your net invoice value before making payment.

Once the funds have been paid into your limited company, you will be free to withdraw them as you see fit with recognition for the tax paid being given.

Benefits of working through your limited company

Despite the obvious, immovable fact that you are going to be taking home less money at the end of the month with an 'inside' IR35 determination – unless of course you can negotiate an increase in the daily pay rate – there are many sound reasons for wanting to retain your limited company, including:

1

Even with an inside IR35 decision, you get to keep control over your business, to the extent you can accept contracts both 'inside' and 'outside' IR35. This will not only provide you with additional income, as the engager will not deduct any tax from the 'outside' contract, it will help your IR35 status by providing evidence that you are in business on your own account.

2

Just because you are inside IR35 for one contract, it doesn't mean the next one will be, you still retain the ability to work when you want on future contracts and to set your own fees and terms.

3

If an engager is deemed to be "small," then the contractor is still responsible for their own IR35 assessment. It is therefore extremely advantageous for you to continue using your limited company and work with a small company* rather than a medium or large one, as the change to IR35 will not apply.

4

It is important to remember that once you accept a PAYE solution and stop working through your limited company you have burnt your bridges and will be unable to make a PAYE reclaim should the opportunity present itself.

5

It is widely accepted that the Off-Payroll rules are considered bad legislation and there may be a U-turn of sorts in the future with the possibility of appealing the IR35 determination imposed on you and reclaiming tax and NI. Alternatively, your client may U-turn and determine your contract is outside IR35 rather than inside. Again under these circumstances there is the possibility to reclaim the tax and NI paid. You will however only be able to make a reclaim for the overpaid tax and NI if you continue to work through your limited company as you cannot make a reclaim if you have accepted a PAYE solution like staff, agency PAYE or umbrella.

As always we are here to help or advise, just contact us by phone or email and we will work together to find the best solution for your individual circumstances.

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*During a 12-month period, a business is deemed to be a 'small' company if it meets two or more of the following criteria: Turnover – not more than £10.2 million. Balance sheet total – not more than £5.1 million. Number of employees – no more than 50.