

# WELCOME

Our recommended accountants are here to help! You lead a busy life, working hard for yourself and your family, and the last thing that you want is to spend hours pouring over accounts and VAT returns – time that you could be spending with your family.

They have developed a service especially tailored to the needs of contractors and consultants like you - Systems to offer a quick and efficient service to all clients. They are able to offer an **All-Inclusive Accounting Service** for just £60 plus VAT per month, with nothing extra to pay.

Running your own limited company may seem complicated but our accountants are there to guide you through it and do the work for you. They realise that you would rather be doing something other than accounts and completing forms, which is why the all inclusive accounting package is proving so popular with people like yourself from all over the country. If you do not have a company, they can supply one free of charge and you can either choose the name, or use an 'off the shelf' company.

Most consultants are better off working through their own Limited Company. Whilst there are other options available (mainly umbrellas and composite companies) these rarely prove to be tax efficient and/or compliant with tax laws (See our guide on the following page). If you are contemplating contracting, this might be enough to put you off. However with the benefit of our accountants' experience you will find it more straightforward than it may first appear.

## What the service covers:

- ✓ Free Limited Company
- ✓ PAYE registration
- ✓ VAT registration
- ✓ Opening a company bank account
- ✓ Monthly calculation of salary and dividends
- ✓ Monthly/Quarterly calculation of PAYE/NIC payments
- ✓ Quarterly VAT Returns
- ✓ Annual PAYE Returns (P35, P14 & P60's)
- ✓ Annual P11d preparation
- ✓ Prepare and review Companies House Annual Return
- ✓ Prepare Annual Accounts
- ✓ Calculate and prepare CT600 (Company Tax Return)
- ✓ Mortgage/rental references
- ✓ Personal Tax Return (provided it is received by 30<sup>th</sup> September each year)
- ✓ Free Fact sheets and Guides available on our website
- ✓ Regular News Updates emailed direct to you
- ✓ Telephone Helpline
- ✓ NO spreadsheets to complete!

## Limited Company – Umbrella – Composite?

Which way for me? Friends, colleagues, accountants will probably all offer differing views on how you should work. So how do you decide?

### Limited Company

This option provides you with your own company of which you are the director and shareholder. Of the three options this involves more paperwork but the benefits include:

1. Tax efficient payment system available of salary and dividends.
2. Benefit from VAT Flat Rate Scheme, which can boost your gross income by 3.4% in the first year (worth £2,040 based on £60,000 per annum contract).
3. Greater choice of expenses available through your own company.
4. If your contract is caught by IR35 you can still benefit by claiming many expenses and the 5% allowance.

Remember – all you need to send each month are copies of your invoices, expenses, bank statements and anything you receive from Revenue & Customs – the accountants take care of the rest.

### Umbrella Company

This is usually a single company with a large number of contractors. Whilst easier to operate for a contractor they generally have three main flaws:

1. Although they often claim to be exempt from IR35 they are in fact slightly worse as PAYE/NIC is applied to 100% of income against 95% for an IR35 caught company.
2. Payments are usually inflated by abuse of expense payments. Many claim to have an “Inland Revenue approved scheme” or “Inland Revenue Dispensation” – this is simply a scheme to reduce paperwork not a scheme to pay expenses gross without actually incurring the expense.
3. If the Inland Revenue reviewed either the Umbrella Company or you, there would be additional tax, penalties and interest on illegally claimed expenses.

### Composite Company

A Composite Company has several contractors, who usually own one share (of a different class) each in a smaller company administered by a managing company. Another easier option for the contractor, it also has some major flaws:

1. Use intricate share structures that sometimes use “ghost” shareholders – an obvious case of tax evasion and illegal.
2. Often use fabricated expenses to artificially reduce the tax burden, leaving contractors open to investigation and liability for back tax, penalties and interest.
3. Mentioned in the 2006 Budget as a target for HM Revenue & Customs, the shelf life of these companies is now very limited.

## ***So, you have decided to trade through a Limited Company, what next?***

### **Limited Company**

If you do not already have your own company our accountants will provide you with one free of charge. (If you already have a company see Page 10). You have two choices:

1 Off the Shelf Company

This is a company which has already been formed. The advantage of this option is; speed this company can be transferred to you within 24/48 hours.

2 Custom Made Company

This company will be formed with your own choice of name (subject to availability), however due to having to register the company at Companies House, this will take approximately 5/8 days.

You can check the availability of a proposed company name at Companies House by telephoning 0870 333 3636 or at [www.companieshouse.gov.uk/info](http://www.companieshouse.gov.uk/info)

Both types of company are the same and are provided free to new clients.

All companies will require at least one director and a company secretary. The director will usually be you and the Secretary, a partner or close family member. The accountant can act as Company Secretary if you wish.

Every company director and secretary has a personal responsibility to ensure that certain statutory documents are delivered to the Registrar of Companies, in particular:

- ◆ Annual Accounts
- ◆ Annual Returns
- ◆ Changes of address, directors or secretaries or their details

Our accountants take care of this for you.

As soon as the company has been established in your name our accountants will immediately action the following:

1. Register a PAYE scheme (so that the company can operate a payroll).
2. Register the company for Corporation Tax.
3. Register the company for VAT (including the Flat Rate Scheme).
4. Open a company bank account with Cater Allen (Abbey Group) – *see below*

### **Bank account**

All companies need a bank account; our accountants have a facility with Cater Allen Bank (Abbey Group), to open bank accounts for clients. An account number can normally be provided as soon as the company has been set up. The account offers:

- ◆ High and tiered rates of interest
- ◆ Cheque book for easy access
- ◆ Telephone banking – available from 7am to 11pm, 365 days
- ◆ No minimum balance
- ◆ Free banking for up to 30 transactions per month
- ◆ Free direct debit and standing order facilities
- ◆ Counter facilities at Royal Bank of Scotland branches
- ◆ Bill payment facilities
- ◆ Regular monthly statements

### **Registered Office**

The registered office of your company will usually be your home address. Companies formed in England or Wales must have their registered office in England or Wales. Likewise, Scottish companies must have its registered office in Scotland.

You can use our accountants' address for the registered office if you wish (not available to Scottish companies). The charge for this service is £5+VAT per month.

### **Company Secretary**

Many clients ask a spouse, partner or friend to act as Company Secretary, as they have little active role as the accountants handle the financial and secretarial duties for the company. The accountants can act as Company Secretary for your company if you wish. The charge for this service is £5+VAT per month.

**If you choose to use both the above services there is a discounted combined charge of just £7.50+VAT per month.**

### **Annual Returns**

Every company is required to complete an annual return and file it at Companies House. The return covers details of directors, secretary, registered office and shareholders. A filing fee of £30 (£15 if filed online) is payable to Companies House. Send in the form and it will be completed for you.

## Expenses

One of the most common questions is often, “What expenses can I claim for?” There is no easy answer to this as all expenses must be “wholly, exclusively and necessary” for the business. However, typical expenses that may be claimed include (if the contract is caught by IR35, see allowable expenses on page 8):

- ✓ Salaries
- ✓ National Insurance Contributions (Employer’s)
- ✓ Employer pension contributions
- ✓ Business travel (including mileage and public transport)
- ✓ Accommodation whilst away from home on business
- ✓ Subsistence whilst working away from home
- ✓ Accountancy Fees
- ✓ Mobile telephone costs
- ✓ Postage and stationery
- ✓ Home office costs
- ✓ Business computer equipment and software
- ✓ Technical books and publications
- ✓ Business entertaining
- ✓ Subscriptions to approved professional bodies
- ✓ Company formation costs (if you use our accountants this will be zero)
- ✓ Bank charges (if you are paying bank charges you need to change banks)

If you are unsure about any expenses, please contact the accountants' office for advice. The main areas of expenses are covered in greater detail below:

### Travelling/Accommodation Expenses

Tax relief is available for travelling/accommodation expenses, which involve two types of business journey:

- ◆ Journeys which employees have to make in the performance of their duties;
- ◆ Journey's which employees make to or from a place they have to attend in the performance of their duties – but not duties, which are ordinary commuting or private travel.

Relief is available for travel/accommodation between home and a temporary workplace. A temporary workplace is where an employee goes there to perform a task of limited duration or for a temporary purpose.

Whether an employee can treat their workplace as temporary depends upon how long they are based at one particular site or expect to spend at one site, the amount of time spent at a workplace is also considered. Please refer to the table below to see if you qualify for relief.

Period at one site (actual or expected period of time)	Extent of duties at one site Length of time Less than 40%	Extent of duties at one site Length of time Greater than 40%
Less than 24 months	YES	YES
Greater than 24 months	YES	NO

The following examples may assist with interpreting the above:

Emma works through her own company as a computer consultant specialising in banking systems. She spends 18 months working full time at a bank in Lombard Street in the City of London. She then moves next door designing a new system for a different bank, where she expects to stay for 22 months. After that contract she moves to a nearby bank for 17 months.

Emma is not entitled to tax relief for her travel from home to work because the nature of her work is such that she expects to work continuously in the "Square Mile"; her travel will be broadly the same every day, year in year out.

David is a computer consultant. He works full time at a site for 18 months, the work is then extended for another 18 months at the same workplace, and the extension is the subject of a separate contract.

As long as David did not expect to be working on the site for more than 24 months, he is entitled to relief for travel from home to work. Once his company enters into a new contract David expects to be working on site for more than 24 months, so from the new contract he is not entitled to relief for his journey.

To benefit from the above rules it is essential that an accurate mileage/travel log be kept.

The cost of travelling to a temporary place of work will be able to be claimed as a valid expense with no personal tax liability.

As soon as it is known that you will be at the same site for two years the claims will cease. It may be wise to negotiate any contract extension to take the contract up to 23 months so as to maximise the benefits available.

Most people will find the most efficient method of reimbursing travelling expenses will be to run your car privately and 'charge' the company a mileage rate using the Inland Revenue's 'Fixed Profit Car Scheme' (FPCS). The FPCS rates are tax-free and are based upon the engine size of the car. Remember that the car will continue to be your car and you should pay all the related costs.

Fixed Profit Car Scheme 2006/07 rates

First 10,000 miles in tax year

40p

Additional miles in tax year

25p

## **Accommodation Expenses**

Temporary accommodation, such as bed and breakfast and hotels, can be allowable as an expense provided it only covers Monday to Friday accommodation. As with travel, this is not available after 24 months (see above).

The allowance will not cover accommodation such as a rented flat; this would be classed as “a benefit in kind” and taxed accordingly.

## **Insurance**

By law, every employer must take out a policy for employer’s liability insurance, which covers the employer against claims by the employee for injury etc. This cover is still legally required for one-person companies.

Other insurance’s that you may consider taking out include:

- ◆ Public Liability Insurance – to insure you against claims from third parties that may sue if they have suffered from your actions.
- ◆ Professional Indemnity Insurance – to insure you against any claims made against you, for example, if software written by you does not work.

## **Pensions**

Whilst retirement may seem a long way off it is important to start providing for your future pension as soon as possible.

The company, subject to certain restrictions may pay pension contributions.

It may also be possible to provide Pension linked life cover, again paid by the company.

## Salary & Expenses for contracts caught by IR35

Under regulations (commonly known as IR35), there are restrictions on what expenses etc can be claimed by you through the company. The qualifying expenses are as follows:

- ◆ Travelling, accommodation and subsistence expenses that are allowable (see section on travelling expenses on pages 5-7)
- ◆ Employer contributions to approved pension schemes
- ◆ Professional Indemnity Insurance costs
- ◆ Subscriptions to approved professional bodies
- ◆ A further flat rate of 5% of the gross payment from the contracts. This does not have to be accounted for to calculate the “deemed salary”; the 5% allowance will be allowed in all cases. Expense receipts/claims will be required to reclaim any VAT and to claim against Corporation Tax.
- ◆ Employer National Insurance contributions

The total of the above items will be deducted from the income from the contract(s) and this net amount will be paid as a salary to you. This salary is subject to tax and National Insurance in the normal way.

When the accountants receive your monthly invoices, expense claim form and copy bank statements they will send you a report on what you have spent etc. and send you a payslip showing your salary and tax deductions.

Income tax and National Insurance contributions will be deducted as with any salary. The tax and National Insurance contributions will usually be paid quarterly, the accountants advise how much to pay and when it should be paid. All you have to do is send a cheque!

The accountants also complete the PAYE annual returns, including P35, P60, P14 and P11d's.

Although the level of expenses is restricted it is still beneficial to trade through a limited company than remain a permanent employee.

From experience with existing clients other benefits include:

- ✓ Being paid for any overtime worked
- ✓ Greater freedom of choice
- ✓ Greater variety of work
- ✓ Free of “office politics”

## Taxes

### PAYE

Fully known as Pay As You Earn, this is the tax deducted from your salary. The tax collected is usually paid every three months and falls due on the 19<sup>th</sup> of January, April, July and October.

The Income Tax rates are as follows (2006/07):

Personal Allowance (free of tax)	£ 5,035	
Lower Rate on first	£ 2,150	10%
Basic Rate on next	£31,150	22%
Higher Rate on taxable income over	£33,300	40%

### National Insurance

National Insurance is paid by both employee (you) and employer (your company) on the salary. National Insurance is paid at the same time as PAYE. The employee pays at the rate of 11% on salary between £5,035 to £33,540 and 1% above £33,540. The employer pays at the rate of 12.8% on all salary over £5,035.

### Corporation Tax

Any company that makes a profit pays Corporation Tax. The current rate for small companies is 19%. This tax is paid nine months after the company's year-end.

### VAT (Value Added Tax)

VAT is charged at 17.5 % on your services, this is paid over on a quarterly basis. Less any VAT that you are claiming for goods and services purchased if you are not in the Flat Rate Scheme (see below).

Most clients will benefit from the VAT Flat Rate Scheme – you still charge 17.5% VAT, but the company simply pays over a reduced amount, typically 13% (12% in the first year) of the gross turnover.

### Personal Taxes

When you are advised you what you can pay yourself, the accountants will allow for any taxes that the company is liable for, these funds will remain in the company (earning interest) until they are due to be paid.

Additional personal tax may be due if your total income exceeds the higher rate threshold. In the current tax year (2006/07) any income in excess of £38,335 will be subject to 40% tax.

If you receive dividends, you will need to save this extra tax in a personal savings account each month. For an approximate amount to save, use the monthly calculation below:

$$(\text{Gross salary} + \text{net dividend} - \text{£3000}) \times 25\%$$

## **Already contracting with your own limited company?**

Transferring from your current accountant (or even if you do not have an accountant) is very easy. Just complete the application form with some basic details, together with the items listed below to start the transfer.

Documents needed from you:

1. Copy of the Certificate of Incorporation
2. Copy of the Memorandum and Articles of Association
3. Copy of the latest Annual Accounts (if prepared)

Any other required details will be requested directly from your old accountants.

Once the needed details are received they be checked to ensure that the accounts are in order including checks on the VAT account, PAYE/NIC payments, Corporation Tax etc.

As soon as the transfer is complete you can start to enjoy all of the benefits of the service as listed on page 1.

### **How much will it cost?**

There are no transfer fees or charges.

Assuming take-over at the start of your new financial year the fees will be simply £60.00 + VAT (£70.50) per month.

If the take-over part is way through the financial year the fee will be £60.00 + VAT (£70.50) from starting to act for the company PLUS £30.00 + VAT (£35.25) for each month from the start of the financial year to when they started to act for you. Please contact the office if you wish to discuss what fees would be payable.

## How much can I expect to earn through my own Limited Company?

All examples assume a single person allowance of £5,035, claiming 10,000 miles per annum by car and are based on the 2006/07 tax rates.

	£	£	£
Net Annual contract	50,000	75,000	100,000
Add Flat Rate VAT saving*	1,700	2,550	3,400
Gross Salary	10,000	10,000	10,000
Employer NIC	635	635	635
Mileage Allowance	4,000	4,000	4,000
Accountancy Fees	846	846	846
<b>Total Costs</b>	<b>15,481</b>	<b>15,481</b>	<b>15,481</b>
<b>Pre Tax Profit</b>	<b>36,219</b>	<b>62,069</b>	<b>87,919</b>
Corporation Tax @ 19%	6,882	11,793	16,705
<b>Profit After Tax &amp; Available for Dividends</b>	<b>29,337</b>	<b>50,276</b>	<b>71,214</b>
<b>Income for Contractor</b>			
Dividends	29,337	50,276	71,214
Net Salary	8,620	8,620	8,620
Mileage Allowance	4,000	4,000	4,000
Less Higher Rate tax On dividend income	(959)	(6,194)	(11,428)
<b>Total Net Income (After all taxes)</b>	<b>40,998</b>	<b>56,702</b>	<b>72,406</b>
<b>Take Home Pay as a % of Gross Income</b>	<b>82.0%</b>	<b>75.6%</b>	<b>72.4%</b>

All cases will be different but the above examples provide a guide to what you can expect to earn through a limited company.

\* - This is the Year 1 saving of 3.4%, after year one the saving reduces to 2.225%

## Your Questions Answered by our Recommended Accountant

Q. I am new to contracting and I do not even have a company set up?

A. We offer a FREE Limited Company to all new contractors who use our services for at least twelve months. (We charge just £69 for the company if you stop using us within the first twelve months).

Q. I live 125 miles away from your office, am I too far away?

A. No. We offer a nation-wide service to contractors; all our work can be carried out at the office using the fax, postal service and e-mail.

Q. What happens if I need help?

A. You may email, telephone, fax or write with any query, we will respond as soon as we can, usually the same day.

Q. What if the "IR35" rules do not apply to my company?

A. No problem. If, after reviewing your contract and work situation, you feel that the IR35 rules will not apply to you, simply let us know and we will deal with your accounts accordingly.

Q. Will I need an audit?

A. Limited companies with an annual turnover below £5.6 Million do not need to have an audit.

Q. How much notice must I give if I want to stop using your services?

A. In the unlikely event of you wishing to stop using our service, all we would require is one month's notice.

Q. How quickly can I start to use you?

A. Simply return the form (or a copy) enclosed with this pack. As soon as we receive the completed forms, we will set you up and contact you for anything further that we may need.

Q. What is the cost of closing my company?

A. There is a standard fee to close the company of £141 (inc. VAT), however depending upon how long you have traded, there may be a small additional charge to prepare the final accounts.

Q. What expenses can I use the 5% allowance for?

A. The flat 5% allowance is given in all cases and does not have to be accounted for to calculate the "deemed salary". Any unused balance of the 5% allowance will be declared as profit and be available to be paid as a dividend.

## IR35 – What is it?

IR35 was introduced in April 2000 and is designed to combat what the Inland Revenue call “disguised employment”. The aim is to increase the tax paid by people who set up their own company instead of working as a normal employee.

Where a company provides the services of a member of staff to a client (either via an agency or directly) and the terms are such that without the intermediary (company), the individual would be an employee of that client the new tax treatment is triggered.

The deciding factor is to establish whether you are classed as “employed” or “self employed”. There is no statutory definition of employment; however the Revenue will look at several factors to help decide which side of the fence the engagement lays. The relevant factors are:

### Direction and Control

The right of direction and control should be considered. It is not necessary to prove that the person carrying out the work is doing so under very detailed supervision because even professional persons can be operating under a general and overall framework of control from the end client.

- a) **What is done** – the right of a client to move the worker to different areas of higher priorities will be a strong indicator of employment.
- b) **When it is done** – control over when the work is done may be an indicator of employment.
- c) **Where it is done** – when you are required to work on your client’s premises this can be an indicator that there will be other control aspects to the engagement. If you can do the work wherever you like, this tends to indicate self-employment.
- d) **How it is done** – this is a very strong indicator of employment; it permits the client to prescribe the way in which the work is to be carried out. However, the absence of this level of control does not necessarily indicate self-employment, it is unusual for someone of a particular skill to be told how to do their work, but this does not make them self employed.

Suggestion – to avoid being caught out, the contract and the actual working arrangements should be as free as possible from aspects of control. Being able to work from your own office (even if only part of the time), be relatively free to decide your own working hours/days will help towards this area being a non-IR35 pointer.

### Right of Substitution

Personal service is an essential element of a contract of employment. A person who has the freedom to choose whether to do the task themselves or hire somebody else to do it (on a reasonably unfettered basis) for them, is probably self employed.

Suggestion – a right of substitution written into all contracts, including being acknowledged by the end client and that your company would pay any substitute would help establish your right to substitution.

## **Provision of equipment**

A contractor engaged to undertake a specific piece of work using his or her own tools and equipment will be a strong pointer to self-employment. If the contractor were provided with equipment this would be a pointer to employment.

Suggestion – provision of your own tools, equipment and office facilities can point towards self-employment and show certain financial risk.

## **Financial risk**

An individual who risks their own money, such as buying assets, bearing running costs and paying for overheads, is probably self-employed. The risk of not being paid for an invoice would not qualify; this would be viewed as bad luck. Financial risk could also take the form of quoting a fixed price for a job, with the consequent risk of bearing the additional costs if the job overruns.

Suggestion – working for a fixed price, agreeing to correct defective work (at your cost), providing your own insurance cover will support a case for self-employment.

## **Basis of payment**

Employees tend to be paid by fixed rates, paid weekly, monthly etc. and may also be paid for overtime. Self-employed contractors tend to be paid a fixed sum for a particular job.

Suggestion – if you cannot charge a fixed price, try to issue your own invoice rather than relying on timesheets, steer away from using terms such as “overtime” and try to get any expenses included in the rate. If you must charge for expenses, include on the invoice and do not use the client’s claim forms.

## **Length of engagement**

Long periods working for one client may be typical of an employment but not conclusive. Regular working for the same client may also indicate that there is a single and continuing contract of employment.

A period of notice in the contract is more typical of employment contracts, so an absence of a notice period would point towards self-employment. If you do have periods of notice ensure that it is the same on both sides.

Suggestion – ensure that the contract does not contain any clauses that prevent you from working for other clients at the same time. Having more than one contract on the go will strengthen the case towards self-employment.

## **Mutuality of Obligation (MOO)**

Mutuality of Obligation would normally appear in all contracts, i.e. an obligation on each party to provide something.

The internal guides for Revenue staff suggest that they ignore this test when considering the IR35 status of a contract. This is quite a complex test but the Judge was critical of the Revenue's instruction to ignore it. This tests if any obligation exists between the client and the contractor. Contracting via an agency would not result in an actual contract between the client and the contractor although this test sees if there is an imaginary one.

If the client simply pays the contractor or agency for services then it may be that MOO does not exist and so not an "employment" situation.

Suggestion – ensure that the contract clearly sets out what is expected and no additional work is done. Longer, continuous contracts would have a harder time overcoming a self-employment test.

## **In business on your own account**

To show if a person carries out business on their own account, it is necessary to take account of all aspects of the business from an overall view. If your business looks like a real business this will strengthen your case.

Suggestion – aspects that would help towards showing that you are a genuine business include, having your own office and equipment, more than one client at a time, business telephone, stationery, other sources of income etc.

## **Day to Day working**

If the Revenue investigates your contract they may contact the end client and seek information on how you actually work. If you are seen as an integrated part of the organisation this can weaken your case for self-employment status.

Suggestion – try to avoid acting similar to employees of the client, such as:

- ◆ Using staff facilities and benefits such as car parks, canteens etc.
- ◆ Appearing on internal phone lists & email addresses
- ◆ Joining in on staff events such as social events, Christmas parties etc.
- ◆ Managing employees of the client
- ◆ Similar work patterns/holiday leave as employees of the client

If your contract and your actual working practice points towards self-employed status then the IR35 rules will not apply.

You should be targeting the points in the Suggestion boxes above to ensure that self-employed status and exemption from IR35.

## Effect of the new rules under IR35

On the assumption that the engagement falls under the new rules, the “deemed salary” will have to be calculated. Certain expenses can be deducted from the income arising from relevant engagements, as follows:

- ◆ Travelling and other expenses covered under Section 198 ICTA 1988
- ◆ Employer contributions to approved pension schemes
- ◆ Employers National Insurance Contributions
- ◆ A flat rate 5% of the gross income from relevant engagements – receipts will still be required for Corporation Tax purposes - the 5% deduction will be allowed in all cases to calculate the deemed salary.
- ◆ Professional indemnity insurance
- ◆ Professional subscriptions

## Frequently Asked Questions about IR35

Q Can I get tax relief spent by my company for training?

A No. This is not allowable to normal employees and will not be allowable on its own. You will however be able to utilise the 5% allowance if you choose.

Q Will I be taxed if my clients or agency provide training for me?

A No. Any training provided by clients or agencies will not count as a taxable benefit, and no tax charge will arise.

Q Can I get relief for the cost of seeking contracts?

A The 5% allowance is meant to cover this kind of cost.

Q Service Company workers will be worse off than ordinary employees under the new rules because they will only be able to claim 5% of their expenses.

A. Not correct. Service companies will be able to claim a flat rate deduction of 5% of the gross fees from relevant engagements. This 5% deduction is not available to normal employees.

Q Will travel expenses be allowed?

A The rules that currently apply to employees of service companies which allow them to claim a deduction for travel from their home to place of work will be the same as they are now.

Q What sort of expenses will be covered by the 5% allowance?

A There is no restriction on the use of the allowance, the 5% deduction will be allowed (in calculating the IR35 payments) in all cases.

Q Will the new rules apply to people working for “composite” or “umbrella companies”?

A Yes.

Q Can I continue to pay my partner a salary for acting as Company Secretary?

A Yes, but the amount will be included in the 5% allowance, no additional relief will be allowed.

Q What will happen if someone fails to follow the new rules?

A The Revenue will seek to collect any unpaid tax or NIC's, and any interest due. Additional penalties may be sought in cases of negligent or fraudulent conduct.

Additional information can be obtained at [www.hmrc.gov.uk/ir35](http://www.hmrc.gov.uk/ir35)