

# THE EXPERT GUIDE FOR CONTRACTORS

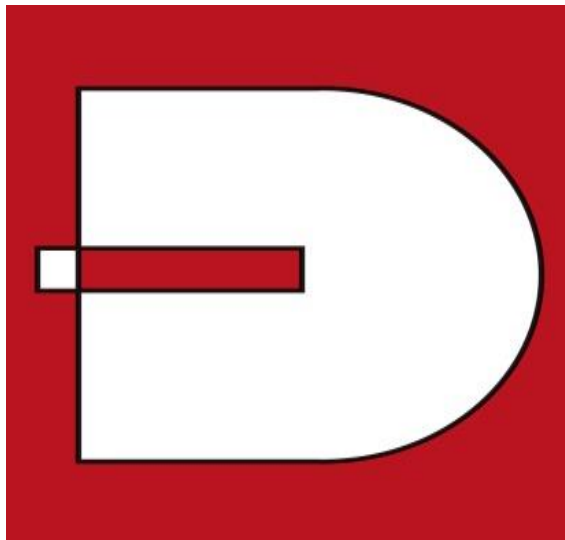
[www.dfo-consulting.com](http://www.dfo-consulting.com)

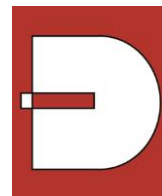
**For: Contractors, Consultants and Freelancers**

**Tax Year 2017/18**

**DFO Consulting – Registered Accountants & Business Advisors**

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## Welcome!

I am pleased to provide you with our Expert Guide For Contractors with compliments of DFO Consulting. We are a leading Accountancy firm and Umbrella service provider specializing in high end accountancy, advisory and payroll services to support contractors, consultants and freelancers.

The aim of this guide is to take you through some of the legal and financial matters that you may need to consider. It is only intended to provide an overview of what is involved; should you require further details, please refer to our website at [www.dfo-consulting.com](http://www.dfo-consulting.com) or call one of our team on **020 3114 2145**.

## Our promise to you

We believe it's important to adopt an ethical approach when dealing with our clients. As a valued business partner, you have the reassurance that we will always act in your best interests, at all times.

Our promise is to bring to YOU, our client, countless benefits which include but are not limited to:

- Helping YOU to become ever more profitable through our bespoke advice and services
- Helping YOU to retain more of your hard earned money through tax efficiency savings
- Helping YOU to remain risk adverse from our expert knowledge on compliance

## Good Advice

DFO has extensive accountancy and tax experience; we will take the time to ensure that you are aware of the options available to you. As a professional practice we constantly review changes in legislation and adapt our advice and procedures to ensure that you receive the very best service and appropriate tax efficient solutions.

## A Fair Price

At DFO Consulting, we emphasise on delivering quality service at very competitive rates to ensure you receive excellent value for money. We operate our fees on a fixed basis and can also offer bespoke services to suit all needs.

## Clear, Concise and Simple Documentation

We ensure that correspondence from us is communicated in a plain, jargon-free language. Our terms and conditions are clearly understandable and we will endeavour our very best to answer any questions you may have in a timely manner.

## Speedy and Efficient Service

We aim to complete each stage of your accountancy requirements in the minimum amount of time possible and will assign a named person to liaise with you, keeping you informed of progress and maintaining a proactive communication process throughout.

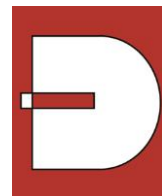
## A Consistent Service

Our relationship with clients does not end once they have signed up. We forge long term relationships with all clients types, steering them through the minefield of ever changing business and regulatory environment. Client satisfaction remains the focal point of the practice and we take pride and pleasure in delivering a world class service.

**Samuel Odupitan BA (HONS) FCCA**

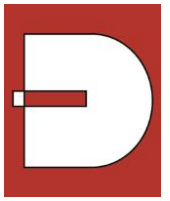
AUTHORISED  
TRAINING  
EMPLOYER





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## **Contractor Service Summary – What is included?**

DFO offers a truly comprehensive end-to-end premier service that gleams quality assurance. Our Fixed Fee PSC Contractor packages are detailed on our website to suit every need and requirement. Please note that this guide has been designed for both LTD Company Contractors/Freelancers and Umbrella Contractors.

For ease of reference, please refer to section 13 on page 23 for a detailed breakdown of our Umbrella service.

**Please read through the guide carefully and contact us if you have any queries.**

### **Through our premier service:**

- You will avoid any late filing penalties
- You will be assigned a dedicated consultant to look after your affairs
- You will maximise your earnings
- You will eliminate the potential for errors and risk of HMRC investigations

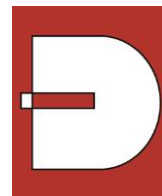
### **And:**

- We guarantee we'll commence when we say and have promised we will
- We guarantee we'll prepare all necessary documents for submission ahead of deadlines
- We guarantee you will not be left in the lurch as to the financial state of your limited company
- We guarantee you will have continuous progress updates of the work we carry out for you
- We guarantee your bill will be as quoted – not a penny more

## **IPSE (previously known as PCG – Professional Contractors Group)**

You may wish to consider joining The Association of Professionals and Self-Employed (IPSE); they represent the interests of contractors, freelancers and consultants and act as their voice with HMRC and other regulatory bodies.

**The next page further details the depth and weight of our premier service**



## Premier Service Details

### Set Up

- ✓ Form a Limited company with Companies House.
- ✓ Register your company for PAYE with HMRC.
- ✓ Register your company for VAT with HMRC.
- ✓ Register your company for Corporation Tax with HMRC.
- ✓ Register your company for the VAT Flat Rate Scheme.

### Monthly

- ✓ Operate your payroll with payslips for each employee.
- ✓ Submit RTI PAYE returns per employee.

### Quarterly

- ✓ Calculation & advice of VAT returns & payments.
- ✓ Calculation & advice of PAYE payments.

### Annually

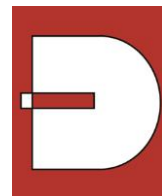
- ✓ Issue and file P14's/P60 with HMRC.
- ✓ Issue and file P11d & P11d (b) with HMRC.
- ✓ Calculate and advise on Class 1A NIC payments.
- ✓ Prepare & file annual accounts with HMRC.
- ✓ Prepare & file Corporation Tax Return (CT600) with HMRC.
- ✓ Prepare accounts for Companies House.
- ✓ Prepare Companies House Confirmation statement (CS01)
- ✓ Insurance cover for HMRC investigations
- ✓ Personal Tax Return for one person if received by 30<sup>th</sup> September after the end of the tax year.  
A small charge may apply if you join part way through the tax year.

### As When

- ✓ Dedicated Account Controller including their direct phone number & email address.
- ✓ Unlimited telephone & email support.
- ✓ Produce dividend vouchers and board minutes.
- ✓ Deal with any general HMRC correspondence and queries.
- ✓ Advise Companies House of company charges.
- ✓ Complete National Statistical Office questionnaires.
- ✓ Deal with HMRC investigations where we have done the work, provided you have followed our advice and/or not concealed anything from us.
- ✓ If you decide to cease using our services, your only commitment is to give us one month's notice.
- ✓ If you choose to move to another accountant, we do not make a charge for the transfer.

### Your obligations to us:

- ✓ Update your sales and expenses on our online portal or bespoke excel bookkeeping template.
- ✓ Send us a copy of your company bank statement/s monthly.
- ✓ Respond to letters and emails from us within the specified time.
- ✓ Pay our fees promptly and on time each month.
- ✓ Online portal for keeping records of sales & expenses. E.g. issuing invoices with your logo, etc.



## 1. Company Set-up

Congratulations on the formation of your company! It would be a good idea to check that it has been formed as per your specifications. The main areas on which to undertake checks are:

- I. Company directors details are correct - there must be at least one director.
- II. Company Secretary – small companies no longer need to appoint a Company Secretary, if you do have one, now is the time to check that your company secretary details are correct. If you decide that you no longer wish to have a company secretary, simply complete a TM02 form and post it to Companies House.
- III. Registered office – this is the legal address for your company. Check that the company has been registered to the intended and proposed address.
- IV. Shares – the allocation of shares is normally done when the company is formed, check that the shareholder(s) details are correct.

## 2. Bank Account

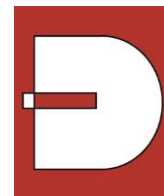
One of the first actions following formation of the company is to open a business bank account. There are numerous banks and e-money issuers, all very keen to open an account for you. However, for simplicity, we have teamed up with and recommend our affiliate partners, APS (Advance Payment Solutions) or Cardonebanking.

### APS

Advanced Payment Solutions Ltd can offer you their award winning Business Current Account designed specifically for contractors, freelancers, small businesses and start-ups. The Cashplus Business Account is the low cost alternative to High Street Business Banking. APS is regulated and authorised by the FCA.

#### KEY FEATURES:

- Simple Online application
- Instant Online decision
- No credit checks required to apply
- Pay in cash at over 13,000 locations nationwide - including the Post Office
- View balances, credits and payments online
- 24/7 Account servicing via telephone, online and mobile app
- UK customer support – Monday to Friday 8am to 8pm and Saturday 9am to 4pm
- Data feeds available into book-keeping software



## Cardonebanking

A Cardonebanking Business Account is a business current account designed specifically for small businesses. Cardonebanking are an Authorised Payment Institution (API), authorised and regulated by the FCA.

### KEY FEATURES:

- No credit checks and easy to apply online
- Pay in at Barclays and Post Office branches available for both cash and cheques
- Online and mobile banking – FREE text alerts
- UK Call Centre
- Can be used in conjunction with a Paypal account
- Pay bills by DD, Standing Order or same/next day Faster Payment
- Dedicated Account Manager available to give you sound advice on your current account

## 3. Insurance

There are generally three types of insurance cover that you need to consider.

Employer Liability Insurance – this covers your Ltd company against injury claims etc. by employees. This cover is no longer a legal requirement if you are the only employee of your Ltd company and you own at least 50% of the share capital.

Public Liability Insurance – to insure against injury or death to third parties and damage to third party property as a result of your actions.

Professional Indemnity Insurance – to insure against any claims made against you, for example, if your client suffers a financial loss as a result of your error or negligence.

If you require insurance, please contact us on **020 3114 2145** or email us at [info@dfo-consulting.com](mailto:info@dfo-consulting.com).

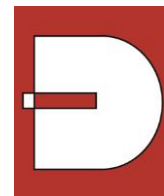
A combined Employer/Public liability policy can be purchased from £96 and a Professional Indemnity policy from £147.

DFO Consulting has never offered MSC services. We offer high end tax, financial and accountancy solutions for Contractors who are contracting as either Self-Employed or through a Personal Service Company.

## 4. Value Added Tax

VAT is a tax that is levied on the sale of goods and services by UK businesses. The standard rate for most goods and services is set at 20%.

VAT registration is compulsory if the turnover of your limited company over a consecutive 12 month period exceeds **£85,000.00**. You may opt to apply for voluntary registration if your turnover falls below this threshold. The key advantage of voluntary registration is that it gives more credibility to your business if you are looking for new opportunities.



Once your limited company is VAT registered and you are in receipt of your VAT Certificate, you will need to add 20% to your normal invoice value, for ex., if your invoice value is £1,000, you will add £200 (£1000 x 20%), making the gross total £1,200 before sending off to your agency or end client.

There are different types of VAT schemes you can choose from but the most recommended one for Limited company contractors and freelancers is the Flat Rate Scheme. This scheme was set up by HMRC to help simplify the VAT reporting process for businesses with low VAT chargeable purchases/expenses. To join the scheme, your turnover should not exceed £150,000 per annum.

DFO Consulting offers this registration service within all contractor packages.

Below are some of the key points you need to be aware of if your business is VAT registered:

- I. You need to complete and submit a VAT return electronically to HMRC for every quarter end
- II. Submission of the VAT return and payment to HMRC is due 1 month and 7 days of the following the quarter end. For example, if your quarter end is 31<sup>st</sup> December, submission and payment will be due by the 7<sup>th</sup> of February.
- III. Incorrect computations, missing the filing or payment deadline can result in hefty penalty charges. DFO Consulting will ensure that you are made aware of all pending deadlines and will send you reminders in the appropriate timeframe. We will also happily handle the timely completion and filing of your quarterly VAT returns as long as you provide us with the information we need as and when requested.

## 5. PAYE/NIC

If you intend to pay yourself a salary, you will need to set up a Pay As You Earn (PAYE) scheme with HM Revenue & Customs (HMRC). DFO Consulting offers this registration service within all our contractor packages.

HMRC will allocate a reference number to your company and the company will be required to deduct tax and National Insurance from any salaries paid to directors and employees.

There are several PAYE responsibilities you have as a director, the main ones being:

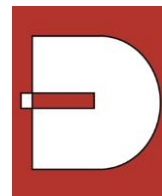
- Deduct & pay to HMRC, Income Tax and NIC from salary payments.
- Complete a final submission to HMRC by 19<sup>th</sup> May after the end of the tax year.
- Report expenses & benefits paid to directors and employees by 6<sup>th</sup> July after the end of the tax year.

It is vitally important that you get this right from the outset; there are various penalties that can be incurred for errors or not following the correct procedures and timelines.

## 6. Corporation Tax

HMRC will normally issue notice CT41G to your registered office address shortly after they receive notification of the formation of your Ltd company from Companies House. This notice will contain your company unique tax payer reference (UTR) which is a 10 digit reference number with a 3 digit prefix. You should complete form CT41G as instructed and return it to HMRC to register for corporation tax.





Please ensure you make a copy of the notice or keep a record of the company UTR as you will need this to file your corporation tax return and to contact HMRC in the eventuality that you need to discuss matters relating to the company taxes with them.

If you don't receive notice CT41G, it will be your responsibility to notify HMRC and register for corporation tax within 3 months of your Limited company formation.

For periods starting 1<sup>st</sup> April 2017, the main rate for corporation tax on taxable company profits is set at 19%. For periods prior to 1<sup>st</sup> April 2017, the rate was set at 20%.

Taxable company profits are generally calculated by deducting tax allowable business expenses (salaries, subscriptions, accountancy fees etc.) from the turnover.

DFO Consulting offers this registration service within all contractor packages.

There are several Corporation Tax responsibilities you have as a director. The main ones are:

- I. Complete and submit a Corporation Tax Return with a set of annual accounts to HMRC for each accounting period
- II. Submit your corporation tax return to HMRC within 12 months after the end of your first accounting period. Two corporation tax returns will usually need to be prepared and submitted in the first year as the first accounting period will generally span a period of over 12 months.

The first return will cover the first 12 months and the second return will cover the remaining period.

- III. Pay any Corporation Tax due within 9 months and 1 day after the end of your accounting period.

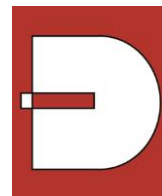
You need to ensure that you adhere to all deadlines to avoid penalty and interest charges for late filing and late payment.

DFO Consulting is happy to handle this on your behalf as part of our fixed fee monthly service which is included within all contractor packages.

## 7. IR35 Legislation

IR35 was introduced in April 2000 and is designed to combat what HMRC call 'disguised employment'. The aim is to increase the tax paid by people who set up and provide services to end clients through their own company instead of working as a normal employee.

Where a company provides the services of a member of staff to a client/hirer (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/hirer, then the IR35 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 HMRC will look at several factors to help decide which side of the fence the engagement lays.

We therefore recommend that you have your contract reviewed for IR35 prior to any new engagement.

Please refer to our online guides and full details on IR35 on page 22.

## 8. Checklist

1. Check over the company formation documents
2. Open a company/business current bank account
3. Purchase appropriate insurance policies
4. Register for VAT
5. Apply to join the VAT Flat Rate Scheme
6. Register a PAYE scheme with HMRC
7. Register for Corporation Tax
8. Arrange to have your contract reviewed

Appoint DFO Consulting as your accountant to take care of point 1 to 9. We can refer you to a Business Partner for point 3 on Purchasing appropriate insurances.

## 9. Accountant

Take care to choose an accountant who you can work with. The right accountant will be very useful in steering you through the tax and reporting issues you will encounter. Some factors you may want to consider are:

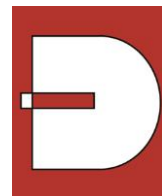
**Contractor Specialist** – Using a specialist firm can be a good decision; they tend to have detailed knowledge of the special tax issues that concern the freelance market. DFO Consulting have specialised in providing accountancy and tax advice to contractors, consultants and freelancers since 1999.

**Qualifications** – anyone can call themselves an “accountant”, so check that the firm you deal with has qualified staff. At DFO Consulting, 100% of our accounting team have an accounting qualification or are part qualified.

**Communication** – speak to several accountants and choose one that you feel comfortable with. DFO Consulting takes extra pride in its robust processes in getting to thoroughly know its clients. We like to engage with our clients so that we can measure their exact requirements for the short, medium and longer term.

**History** – many accountancy firms who specialise in the contractor market have converted from the provision of Managed Service Companies (MSC's) and/or umbrella companies. DFO Consulting has never offered MSC options. Our newly launched Umbrella service is strictly run on a compliant PAYE model.

**Fees** – accountancy fees can vary widely and it can be hard to distinguish between different options. There are some firms who will charge as much as they think they can get away with. At DFO Consulting, we charge competitive fixed fees on our Standard, Gold and Platinum packages. An all inclusive service to include IR35 Contract review/s and HMRC Investigation Service is also available. Please contact us for more details



## Testimonials

DFO Consulting has represented our companies for nearly seven years now. During which time we have found them to be professional, responsive and ethical. We would go so far as to say that their creative and diligent accounting skills have actually enabled us to save money over that period of time and as a result, I have no hesitation in recommending their products and services to any individual or business"

**- Sean McArdle & Gary Ahimie - Progressive Consulting.**

"DFO Consulting keeps us on track and their customer service is exemplary. I can honestly say hiring them was the single most beneficial decision to our business. Their proactive approach to accounting quickly catches issues before they become costly problems. They took a poorly functioning accounting system and had it running within a short time period. DFO Consulting has exceeded our expectations and I often feel they are our partners.

**- Mohan Kumar – Vertis Infotech**

"I find your services highly professional, the speed of delivery and response to queries is very efficient and thorough. There is a personal one to one service which builds trust and confidence. I will definitely recommend your company to anyone who needs tax and/or accounting service"

**- Stephen Abraham - Quantum Leap Inc.**

"In my experience, DFO Consulting provides a very professional and efficient service. As a new business owner, I have found their advice invaluable; it has given me the confidence to move forward in my business. Keep it up, well done!"

**- Fishcuffs Ltd - Bukola Olaitan**

"DFO Consulting has consistently delivered a highly commendable and efficient service. Their team of dedicated staff have been to hand, meeting our accounting and financial needs whenever required"

**- Joseph Raymore – Totally Style, Chiltern Street London**

"Efficient and good value for money. Always proactive and a step ahead of the customer".

**- Bernard – Watsulu Consultants.**

"DFO Consulting came highly recommended and I have not been disappointed. Prompt service, backed up with attention to detail and value for money makes DFO Consulting the ideal accountant for a growing business. I have no qualms recommending their services to others"

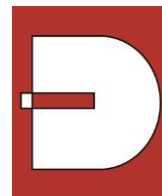
**- Abi Sanusi - Corporate Writing Consultancy**

"DFO Consulting - Helpful, Honest and straightforward accounting; they don't just do your accounts, they also offer support for general financial matters. They are in their element when it comes to helping to grow a small business"

**- Femi Ajayi, Director - Fem A Services.**

"Being new to the complexities of filing and preparing regulatory returns, DFO Consulting has been very helpful in explaining and guiding me through the complex maze. They also go the extra mile to ensure that your accounts are prepared early to ward off payment of unnecessary charges from the Inland Revenue"

**- Mrs Bukky Sunmonu**



## 10. Invoicing

To receive and record payment for your services, you will need to issue an invoice to your client.

Legally, an invoice must contain the following details:

1. Company name, address and registration number
2. VAT number (if registered for VAT)
3. Invoice date
4. Invoice number – this should be a consecutive number, although a prefix can be used
5. Itemised breakdown showing the chargeable period, rate etc.

Self-Billing – If you source your assignments through an agency, they may operate a ‘self-billing system’ – this will generate an invoice for you, so there is no need for you to issue one. In fact if you use a self-billing system, HMRC regulations prohibit you from issuing your own invoice.

Expenses – if you invoice for expenses incurred, remember to add VAT on top of the expenses. VAT should be added even if the expense does not have any VAT. It’s better to strip out the VAT on it and show that separately, so that your customers are not charged VAT on VAT – call our office if you need clarification.

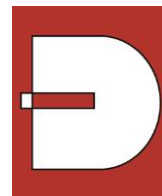
If you are unsure about any expense please contact the DFO Consulting office for advice.

## 11. Expenses

One of the most common questions raised by contractors is, ‘What expenses can I claim?’ There is no easy answer to this as all expenses must be ‘wholly & exclusively’ for business purposes.

Typical expenses that can be claimed include:

- Salaries
- National Insurance Contributions (Employer’s)
- Employer pension contributions
- Business travel where the work undertaken for clients constitutes a temporary workplace
- Accommodation whilst away from home on business
- Subsistence whilst working away from home
- Accountancy fees
- Mobile telephone costs
- Postage and stationary
- Home office costs
- Business computer equipment and software
- Internet connection
- Technical books and publications
- Other direct costs of doing business e.g. Casual staff or Legal & Professional fees
- Subscriptions to approved professional bodies
- Bank charges



## 12. BASIC FACTS FOR 2017/18

- i. Your personal allowance is £11,500.00 – tax is therefore not payable on the first £11,500.00 of earnings. Please note that for every £2 of income that exceeds £100,000, your personal allowance reduces by £1. You therefore lose your entire entitlement to a personal allowance once your earnings hit £123,000.
- ii. The basic rate threshold, including your personal allowance, is £45,000. Salary earnings from £11,500 up to £45,000 is taxed at the basic rate of 20%.
- iii. Salary earnings over £45,000 up to £150,000 falls within the higher rate threshold and is taxed at 40%.
- iv. Salary earnings over £150,000 and upwards is taxed at 45%.
- v. Salary earnings over £8,160 up to £33,500 triggers employee NIC of 12% and anything above £33,500 triggers employee NIC of 2%.
- vi. Your employer (i.e. your Ltd company) pays Employer NIC at the rate of 13.8% on salaries over £8,160.
- vii. The annual tax optimum salary for the 2017/18 tax year is therefore £8,160.00 – this amount is completely NIC and income tax free.

## 13. Salary

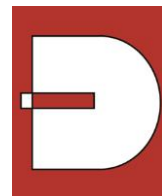
The level of salary to pay yourself is solely dependent on you. Assuming that the IR35 rules do not apply to your contract, the two main options are whether to pay yourself a salary at the tax & NIC free level or to pay yourself a salary at the level of the National Minimum Wage (NMW).

The NMW is set at £7.50 per hour. Based on a typical 37.5 hour week, this will equate to an annual salary of £14,625.00. This will attract income tax of £623.20, employee NIC of £775.32 and employer NIC of £891.62, resulting in total PAYE taxes of £2,290.14.

We would normally recommend you to pay yourself an annual tax efficient salary of £8,160.00 (prorated if you become a director part way through the tax year).

If you opt for an annual salary of £8,160.00, you will need to take note of the following:

- I. This assumes that there is no written contract of employment in place between yourself and your Company. If there is, the National Minimum Wage regulations will apply.
- II. Do you make personal pension contributions? If so, you will only be eligible for tax relief up to the value of the gross salary paid. This issue may however be solved by making pension contributions through the company



- III. Do you hold any insurance policies linked to the level of salary paid? (e.g. IR35 insurance) If so, you may need to pay yourself a salary above a certain level for the insurance to be valid.
- IV. You must earn a salary of at least £5,965.00 this tax year to earn a qualifying year for state pension

## 14. Dividends

Dividends are distributable from post-tax company profits and are paid to the shareholders of a Ltd Company.

Before declaring a dividend, the company should ensure that there are sufficient profits available to support the payment. If this criteria is satisfied, the directors then hold a board meeting to declare the dividend.

DFO Consulting will calculate the company's post-tax profits and will prepare your dividend vouchers as may be required.

There is no limit as to how often a company can declare dividends. For simplicity and to reduce your administrative burden, once a month should be sufficient.

### Taxation of Dividends

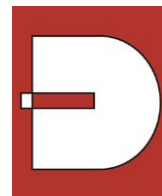
Assuming that you draw a basic salary of £8,160.00 from your Ltd company, you will be left with £3,340.00 of unused and tax free personal allowance which you can draw as dividends. You will also be entitled to an extra tax free dividend allowance of £5,000.00, bringing your combined tax free take home pay to a total of £16,500.

Additional dividend pay-out above this combined tax free threshold of £16,500 will be taxed at 7.5% on an incremental basis up to a maximum of £45,000.

This is as shown below:

Annual Salary	£8,160.00
Tax free dividend income up to the personal allowance threshold of £11,500.00	£3,340.00
Dividend income within the dividend allowance threshold	<u>£5,000.00</u>
Total annual amount of tax free income	£16,500.00
Maximum dividend within the basic rate band threshold (£45,000.00 - £16,500.00)	£28,500.00
Income tax payable at 7.5% (7.5% * £28,500)	<b>(£2,137.50)</b>

If you wish to withdraw additional dividends above the basic rate threshold of £45,000, you will pay tax on this at the higher rate of 32.5%.



## 14. Self-Assessment

As a director of a Ltd Company, you are legally required to register for self-assessment and complete a self-assessment tax return every year.

A standard tax return will include your personal income from all sources, such as salaries, interest, dividends etc. Allowable deductions such as pension and charity contributions are also declared.

The deadline for filing this with HMRC is by the 31<sup>st</sup> of January after the end of the tax year. This is also the deadline date to make payment of any income tax due.

DFO Consulting will register you for self-assessment and will prepare and submit your self-assessment tax return as part of the Contractor Fee package service provided we receive your complete information in a timely manner. Alternatively, we offer a tax return only service starting from £195+ VAT per return.

Please contact us if you would like to find out more.

Tax Returns notice are normally issued by HMRC in April of each tax year. If you have not been issued with a notice or provided with an advice letter notifying you that you need to complete a tax return, you should contact HMRC to request for this.

## 15. Other Legal Filing Requirements

### Confirmation statement (CS01)

A Confirmation statement is a statement confirming that the information that Companies House holds for your company is up to date. This includes the registered office address, directors details etc.

Irrespective of trading status, your company must deliver a confirmation statement to Companies House at least once a year.

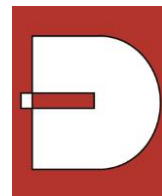
Failure to submit this can result in serious consequences. The registrar will assume that your company isn't carrying on business and will then take steps to strike it from the register. If the registrar strikes a company off the register, it ceases to exist and its assets become Crown property.

### PSC Register

UK companies are also now required to maintain a register of people with significant control (PSC) over their companies.

A PSC can be, whether directly or indirectly:

- An individual or entity who owns more than 25% of the company's share capital
- An individual or entity who holds more than 20% of the company's voting rights
- An individual or entity who holds the rights to appoint or remove the majority of the board of directors.
- An individual or entity who exercises significant control over the company



This new requirement was introduced with the aim to increase transparency over who owns and controls UK companies and aids potential investors in their decision making process and also provide insightful information to anti money laundering agencies.

UK companies need to:

- Identify & record the details of people with significant control over the company in the company's internal PSC register
- Provide the details held on the PSC register to Companies House annually when submitting their Confirmation Statement
- Keep their PSC register up to date

The PSC register should contain the following for each PSC:

- Name
- Date of Birth
- Nationality
- Date that the individual became a PSC (the 6<sup>th</sup> of April 2016 should be used for existing companies)
- Service address & residential address (residential address should only be maintained for internal purposes and must not be provided to Companies House)
- The condition/conditions that make each individual a PSC

Companies House can request for the PSC register from any UK company at any given time and you should therefore ensure your PSC register is up to date. Failure to comply with these requirements is a criminal offence and can result in fines or imprisonment.

## 16. Timetable

This is a summary of the various filing dates you should be aware of:

### Companies House

Abbreviated accounts should be filed with Companies House within 9 months after your company year end.

Your first Confirmation statement made up date falls on the anniversary of your Ltd company's incorporation and the due date for filing with Companies House is 14 days after the made up date

### HMRC

Full Annual Accounts & Corporation Tax Return (CT600) should be filed online with HMRC within 12 months of the year end.

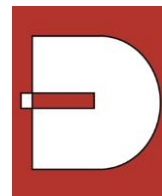
### VAT

VAT Return submission and payment are due 1 month and 7 days following the quarter end.

For example:

Quarter ending 31 <sup>st</sup> March	Due by 7 <sup>th</sup> May
Quarter ending 30 <sup>th</sup> June	Due by 7 <sup>th</sup> August
Quarter ending 30 <sup>th</sup> September	Due by 7 <sup>th</sup> November
Quarter ending 31 <sup>st</sup> December	Due by 7 <sup>th</sup> February





## **PAYE**

PAYE taxes and NIC payments should be remitted to HMRC no later than the 22<sup>nd</sup> of the end of the next tax month if payments are due on a monthly basis and are made electronically. If the company is eligible for quarterly payments, these will be due to HMRC by the 22<sup>nd</sup> following the quarter end. For example:

Quarter ending 5 <sup>th</sup> April	Payment due by 22 <sup>nd</sup> April
Quarter ending 5 <sup>th</sup> July	Payment due by 22 <sup>nd</sup> July
Quarter ending 5 <sup>th</sup> October	Payment due by 22 <sup>nd</sup> October
Quarter ending 5 <sup>th</sup> January	Payment due by 22 <sup>nd</sup> January

If you do not pay electronically, payments should be made on the 19<sup>th</sup> instead of the 22<sup>nd</sup>.

Class 1A NIC – this relates to National Insurance on certain benefits in kind such as company cars. If this applies, submission of your P11D is due by the 6<sup>th</sup> of July following the end of the tax year and payment is by the 22<sup>nd</sup>.

## **Self-Assessment**

Your self-assessment tax return submission to HMRC and payment is due by the 31<sup>st</sup> of January after the end of the financial year.

## **17. Financial Advice**

Financial Management can be used to cover a wide range of topics; however, in relation to contractors and consultants, this mainly covers the following areas:

- Retirement Planning
- Pension Transfers
- Income Replacement
- Personal Protection

At DFO Consulting, we are able to introduce you to a leading financial advisor. You can benefit from the expertise of a financial advisor, focused on your needs. A face to face meeting with a financial advisor is available to all our clients.

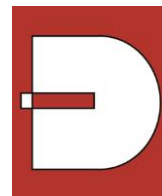
DFO Consulting only introduce financial advisors who are authorised and regulated by the Financial Conduct Authority.

## **18. Detailed Guide to Expenses**

We have detailed some of the common expenses for your consideration. Please take a few moments to read through this guide and check that you are complying with any conditions for any claims you'll be making. Please note that this will only be relevant if you operate outside the scope of IR35.

### **Background**

Expenses are allowed on expenditure you incur to run your business. The exact type and level of expenses can be very complicated and it is important to read this guidance and act accordingly.



Expenses incurred by the company must be 'wholly and exclusively' for the purpose of the business. Where the non-business purpose is merely incidental to the business purpose, a claim is still possible.

If any expenditure has a dual purpose, then this expenditure will generally not be claimable. An example is clothing - you need to wear clothing whether you work or not, so the dual purpose prevents a claim.

## **Salary**

A salary paid to the director (assuming they are the fee earner for the company) will be an allowable expense, together with the employer National Insurance Contributions (NIC).

If the contract is not caught by the IR35 regulations then you are free to pay whatever level of salary you wish. We would normally suggest taking out a salary at least equal to the NIC threshold of £8,160 (£680 per month).

## **Salary to the Company Secretary/Partner**

Whilst in theory this is possible, in reality this can be quite hard to justify. You can pay the going rate for secretarial support etc. but this generally will not amount to very much.

Typically, the support work for a contractor's company will be minimal, typically 1 hour per month. At a market rate of say £10 per hour you are looking at an annual salary of just £120!

The new Companies Act removed the requirement to have a Company Secretary since 6<sup>th</sup> April 2008 but if you can reasonably justify the use of administrative staff, you can charge a market rate.

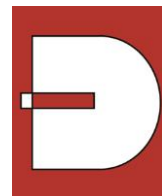
## **Home Office Costs**

The easiest way to claim for this is to claim the flat allowance of £208 per annum, no receipts are required and this is allowed by HMRC if you use part of your house as an office. Simply claim on your expense form and it will be included in your accounts. You may also be able to charge rents under the rent-a-room scheme to the company at £7,500 per annum provided you actively conduct business from home and dedicate a room to this. You need to issue personal invoices to your business to cover this. Any excess above this will be taxable via your self-assessment return.

## **Travel & Subsistence**

Full tax relief is available for travelling/accommodation expenses if your contract falls outside IR35. Workers employed through umbrella companies or limited company contractors working inside IR35 cannot claim for travel and subsistence on their ordinary daily commute unless their workplace constitutes a temporary workplace.

An individual will be inside IR35 if he/she is under the supervision, direction and control of the client in the manner in which he/she undertakes the work. The client therefore has the right to control or direct only the result of the work and not what will be done and how it will be done.



**Subject to the above rules, mileage allowance for the 2017/18 tax year is as follows:**

<u>Per Tax Year</u>	<u>First 10,000 miles</u>	<u>Above 10,000 miles</u>
Cars & Vans	45p/mile	25p/mile
Motorcycles	24p/mile	24p/mile
Bicycles	20p/mile	20p/mile

## **Accommodation**

### **Hotels & Guesthouses**

Where a contractor stays in a hotel or guesthouse, tax relief is permitted in full for the costs actually incurred. As always the invoice should be in the company name and retained with an expense claim form.

### **Rented Flats**

In many cases furnished accommodation (e.g. flats) can be obtained as a cheaper and more convenient alternative to hotel accommodation. Provided that the total cost of the accommodation is appropriate to the business need and is reasonable and not excessive, tax relief should be allowed.

The cost will be accepted as reasonable where the total cost of providing the accommodation does not exceed the cost of hotel accommodation of an appropriate standard.

In all cases (hotels/guesthouses/flats), you may also claim for the provision of breakfast and an evening meal. The cost of a sandwich etc. purchased on the way to a temporary workplace can be claimed, although this does not include lunch prepared at home etc.

If you are staying away from home due to business commitments you may also claim for a subsistence allowance of £5/night (£10/night overseas). This is intended to cover small incidentals such as laundry, purchase of newspapers etc.

## **Entertainment**

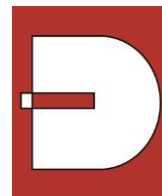
HMRC will allow you to give a business gift worth up to £50 to any one person in any one tax year. The gift must be a business gift, e.g. business diary and must not be food, alcoholic drink or tobacco or vouchers which are exchangeable for food, drink or tobacco.

## **Mobile Phone**

The provision of one mobile phone is exempt from any tax charge. The exemption covers the telephone itself, any line rental and the cost of private calls paid by the employer on the telephone.

Notes:

- The number of phones provided for private use is restricted to one;
- Mobile phones provided to members of your family and household are excluded;
- To qualify, the contract must be in the name of the company and paid from the company bank account.



## Internet Access

You can claim for the cost of Internet/Broadband access at your home subject to the following:

- There is no separate billing or record of access connections (if there is, then you can only claim for the business connections);
- No breakdown is possible between work and private connections;
- Private use is not significant;
- The contract must be in the name of the company and paid from the company bank account.

## Computer Equipment

If you require the use of a computer/laptop in order to carry out your duties then you can claim for the cost of providing one. If you are on the VAT Flat Rate Scheme (as we generally recommend), you will only be able to reclaim any VAT if the total purchase cost is in excess of £2,000.00.

## Childcare Vouchers

As a contractor, your company may be able to provide you with childcare vouchers, a popular method to pay for childcare. Up to £243 per month can be provided to each employee.

There are two ways in which childcare costs can be paid from the company, via a voucher scheme or via a direct agreement with the childcare provider.

### Voucher Scheme

Your company can purchase vouchers from a childcare voucher scheme provider such as Busy Bees and issue these to the employees. The employee then uses them to pay towards childcare at a registered childcare provider. The scheme provider will charge an administration fee, typically about 2-5% of the value of the voucher.

### Direct Agreement

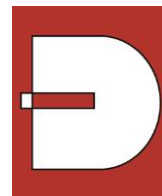
This is where your company agrees directly with a registered childcare provider to purchase childcare and provide this to your employee. A simple letter of agreement between your company and the childcare provider is all that is needed, stating the amount that your company agrees to purchase on behalf of the employee. A sample letter can be found on the Childcare Factsheet available on our website.

Generally the voucher scheme is easier for the employee to use; however, there are additional costs involved due to the admin fees charged. Remember, whichever option you choose, the costs must be paid direct from the company bank account.

### Conditions

To qualify the following conditions must be met:

- The childcare vouchers can only be used at registered or approved childcare providers;
- The child or stepchild must live with you;
- The child or stepchild for whose maintenance you contribute (either in full or part) is yours;
- The child qualifies, up to 1<sup>st</sup> September after their 15<sup>th</sup> birthday (16<sup>th</sup> birthday if they are disabled); and
- The child carer must not be related to your child, even if they are registered or approved, unless they run a childcare business and look after other children that they are not related to.



## Benefits

Assuming that you do not receive a large salary, you can benefit to the maximum amount of £243 per month. The tax savings can be generous, and the amount will depend on the top rate you pay and how your company provides for the childcare. It is possible to save over £1,000 of tax each year from allowable relief.

To find out more please download our free factsheet from our website and contact DFO to find out how we can help you remain compliant and make the most of eligible tax reliefs through our expert advisory services.

## Pension Contributions

### Automatic enrolment for employers

Under the pensions act 2008, all UK employers with at least one employee have a legal duty to automatically enrol eligible employees into a workplace pension scheme and make contributions towards this. The deadline for automatic enrolment is February 2018.

Automatic enrolment is not compulsory for limited companies with a sole director who is on the company payroll. If you are an employee of your own Ltd company, you have the option to opt out of the scheme if you wish to do so. You will then be deemed as having never joined the scheme.

### Voluntary pension contributions

If you would like to make contributions to a pension fund, there are two available options – direct personal contributions or contributions through your Ltd company.

If you want to personally contribute to a pension scheme, you can invest up to 100% of your personal income up to a maximum of £40,000. This is subject to tax relief and your life time allowance is 1.25m. Any excess contributions above this is liable to income tax.

Pension contributions through your Ltd company is a tax deductible expense as long as your remuneration package is reasonable and the funds are sourced from trading activities.

In the eventuality that you are caught operating inside IR35, pension contributions through your Ltd company is an allowable expense and will not be considered as part of your salary package.

We would advise you to consult with your pension advisor prior to making any pension arrangements. DFO Consulting are not authorised to offer advice regarding pensions and other investment products but we can point you in the right direction.

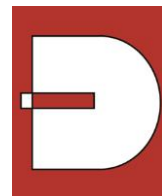
Please contact us for more details.

## Training Costs

Work-related training costs can be paid by your company provided that the purpose of the training is to upgrade or enhance your current skills. If the purpose of the training is to gain and acquire new skills, the cost will be treated as capital expenditure and your company will claim Capital Allowances. (i.e. spread over the short term, typically 2-5 years).

Note:

- The training must be designed to impart, instil, improve or reinforce any knowledge, skills or personal qualities which are likely to prove useful when performing your duties.



- Costs associated with the provision of the training are allowable, such as travel and hotel accommodation.

## **Insurance**

By law, every employer must take out a policy for employer's liability insurance, which covers the employer against claims by employees for injury etc. This cover is no longer required if the company only employs its owner and they own at least 50% of the shares.

Other insurance that you may consider taking out include:

- Public Liability Insurance – to insure you against claims from third parties who may sue if they have suffered from your actions.
- Professional Indemnity Insurance – to insure you against any claims made against you, for example, if your client suffers a financial loss as a result of your error or negligence.

## **Medical Insurance**

The company can pay for medical insurance (e.g. BUPA, PPP) however, note that this will always be taxed as a benefit in kind and the company will pay NIC of 13.8% on the cost. The policy must be in the company name or you will also be liable for personal NIC payments.

## **Christmas Party/Annual Event**

An annual event, commonly a Christmas Party, is an allowable expense for the company and you will not be taxed upon it providing you meet the following conditions:

- The total cost must not exceed £150 per head – if the cost is just 1p over then the whole cost will be subject to tax and NIC, not just the amount over £150;
- The event must be open to all staff, although in reality that will just be you!
- You may invite a partner, but if partners are invited, all staff must be entitled to invite a partner – invited partners will count towards the £150 per head allowance.

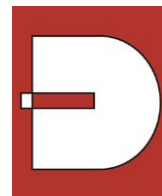
## **Business Entertaining**

Business entertaining is not an allowable expense. Whilst you can claim for any such entertaining, the cost will be disregarded when calculating the taxable profits of your company.

## **Miscellaneous Items**

Other costs that can be claimed as expenses by your company will include:

- Accountancy fees
- Postage costs
- Stationary and computer consumables



## Important

To avoid potential problems with any expenses you wish to claim for, it is vital for any contract to be made in the company's name and paid out of the business account. This is particularly important when claiming for a mobile phone, internet connection, computer equipment and training costs. Where possible, obtain receipts in the company name.

## 19. Detailed Guide to IR35

HMRC introduced IR35 to combat what they regard as 'disguised employment'. The aim is to increase the tax collected by individuals who set up a business on their own account, but who had it not been for the intermediary would be treated as an employee. The common entity that people set up in business is as a limited company but the legislation also covers all other business formats such as sole traders and partnerships.

IR35 is considered to be the main piece of legislation affecting contractors and freelancers as its implications affect the way in which they are paid and their tax liabilities. The purpose of this section is to explain its rationale, scope, implications and to provide an understanding of the current developments in this area.

### Example

An individual leaves work on a Friday afternoon and returns the following Monday to do the same job for a client, not as an employee but as a contractor. He is contracted by an intermediary (a personal service company of which he is a controlling shareholder/director) through which he supplies his services. The intermediary invoices the client for the services provided and receives a gross payment.

Through the arrangement above, the end client can avoid Class 1 NIC payments at 13.8% and the contractor can withdraw salary & dividends in order to minimise their tax and NI liabilities and maximise their take home pay.

The government thus introduced anti-avoidance legislation known as IR35 in April 2000 with the purpose of countering this problem.

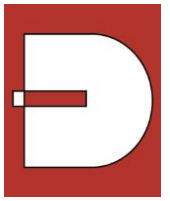
### Scope

The IR35 legislation applies to individuals who provide their services through an intermediary (usually a personal services company) where the income received for performing the services would have been treated as employment income had the individual contracted directly with the customer (without the intermediary). The tests used in deciding if somebody is employed or self-employed can therefore be used in deciding whether an engagement is caught or exempt from the IR35.

There is no straightforward test to determine the status of an engagement as there is no specific rules in statute, however the commonly adopted approach is to look at the relevant factors of the engagement including the contract under which services are performed and the actual working practices of the contractor. To decide whether you are caught by IR35 you will need to consider your written contract together with the actual working practices. The relevant factors to consider are:

### Direction and Control

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



- I. What is done – if a client can assign the contractor to different areas of higher priorities, this will be an indicator of employment.
- II. When it is done – control over when the work is done may be an indicator of employment.
- III. Where it is done – when the contractor is required to work at the client's premises this can be an indicator of control, although if the work can only be done at the client premises, this may not be a factor.
- IV. How it is done – this is a 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 and constitute self-employment as it is unusual for someone of a particular skill to be told how to do their work.

Contract Pointer – ideally the contract should clearly state that the client has no right to direction, control, supervision etc. The contract can state that the client can make sensible requests but the contractor has no obligation to agree to them.

## 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) on their behalf is probably self-employed.

Contract Pointer – a right of substitution written into all contracts in the chain is probably essential. The contract should state that the contractor is responsible for the completion for the services but should enable a right to use a suitably qualified person to provide the service. A clause to allow the client to be reasonably satisfied that the substitute has the same skills is acceptable.

## Mutuality of Obligation

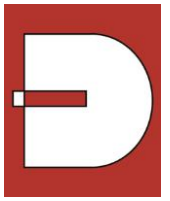
Mutuality of Obligation (MOO) would normally appear in all contracts, i.e. an obligation on each party to provide something.

The internal guides for HMRC staff suggest that they ignore this test when considering the IR35 status of a contract. This is quite a complex test but a Judge was critical of the HMRC'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 is not an "employment" situation.

Contract Pointer – A self-employed person will have no expectation of further work at the end of a contract. A clear end date is desirable and an exception would be if the contract was for a specific, clearly defined task.





## Provision of Equipment

A contractor engaged to undertake a specific piece of work using their own tools and equipment will be a pointer to self-employment. If the contractor is provided with basic equipment this would be a pointer to employment.

Contract Pointer – the contract should not state that the client will provide basic equipment or cover training costs. The client provision of specialised equipment is acceptable.

## Financial Risk

An individual who risks their own money, such as buying assets, bearing running costs and paying for overheads, will be 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.

Contract Pointer – 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 or overtime. Self-employed contractors tend to be paid a fixed sum for a particular job.

Contract Pointer- 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

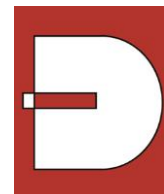
Long periods of work for one client may be typical of an employment but not conclusive. Regular work for the same client may also indicate that there is a single and continuing contract of employment.

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 a period of notice is present, it should only be for a reasonable period.

Contract Pointer – ensure that the contract does not contain any clauses that prevent you from working for other clients at the same time. The contract should allow for early termination with a notice period of no more than one month.

## Business Set-up

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



Contract Pointer – aspects that would help towards showing that you are a genuine business include having business insurance, equipment, more than one client at a time, business telephone, stationary, other sources of income etc.

## Part and Parcel of the Organisation

The contractor should not be seen as being an integrated part of the organisation as this can weaken the case for self-employment status. The contractor should not use any benefits provided to the client's employees such as subsidised canteens, gyms, Christmas parties etc.

Contract Pointer – the contract should not cover areas included in employment contracts such as reviews and disciplinary procedures.

Please refer to our free online IR35 checker for an initial assessment on our website (look under 'Free Resources'). It is highly recommended that each contract is reviewed to ensure that the obligations of IR35 do not apply. We carry out the review in conjunction with our partners, Abbey Tax Insurance. We work closely with them to assist our clients and guide them from potential pitfalls. Contact DFO for further details on our IR35 Contract reviews.

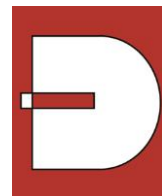
## What happens if the contract fails IR35?

If, after a review of the contract and working practices, the engagement falls within the scope of IR35, HMRC sets out specific rules on how to calculate the tax payable. You are required to pay the majority of your income (less a few qualifying deductions) as salary – this is referred to as their IR35 'deemed salary'.

This is calculated as follows:

	£	£
Turnover from relevant engagements (cash basis)		A
5% Allowance*		<u>(B)</u>
		C
Qualifying Expenses	D	
Pension Contributions	E	
D + E		<u>(F)</u>
C – F		G
Employers NI ((G-8160) x 13.8 /113.8)		<u>(H)</u>
Gross salary (G – H)		I

\*The deemed employment payment calculation allows a flat rate 5% reduction from the total IR35 income received by your limited company. As per HMRC's statement, this allows for the general expense of running a business, such as training costs and the cost of looking for contracts. There's no restriction on the use of this allowance. You are not required to demonstrate this expenditure - the 5% deduction will be allowed in all cases if you operate within the private sector.



## Qualifying Expenses

The following expenses are qualifying deductions in calculating an employee's deemed IR35 salary:

- Childcare
- Employer contributions to an approved pension scheme;
- Employer National Insurance contributions;
- Approved professional subscriptions;
- Professional indemnity insurance.

Any other expenses incurred by the company will not be offset against the salary.

## Developments

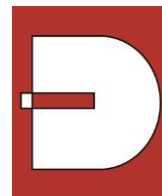
Since its introduction, IR35 has been a controversial piece of legislation among contractors and tax practitioners alike – this is largely due to the high costs of administration and the low revenues that it brings to the exchequer. The factors in determining the status of particular engagements for IR35 is subjective and difficult to prove and as a result of this HMRC has not won many cases where they have challenged this.

Under the coalition government, the Office for Tax Simplification was asked to review IR35 and to suggest an alternative – however with little consensus on the correct route to tackle the problem, it was announced in the 2011 budget that the legislation was to remain the same but HMRC were to improve the way in which it is disseminated.

The government is now introducing tighter measures. Examples of this are the new rules implemented in 2016 such as restrictions on travel and subsistence expenses claimable and the abolition of tax credits on dividends. Further changes have taken effect as of April 2017 on Public Sector Contractors. Many public sector engagements are now deemed caught by IR35 by the end client resulting in the intermediary closest to the contractor being responsible for making deductions under PAYE. The use of an Umbrella provider is becoming common place within such engagements, even insisted on by the Agency. DFO has enacted a fully compliant PAYE Umbrella service and as your income will be deducted at source through PAYE, the issue of falling foul of IR35 will not come into play.

## Non-Compliance

If an engagement is found by HMRC to have fallen within the scope of IR35 and the payments have not been treated in the above manner, HMRC will put this right by performing the above calculations on the income received by the intermediary in the relevant years. The individual will then become liable to additional tax and NI. Penalties and interest may also be charged on the additional tax/NI due as a result of the check.



## 20. DFO Umbrella Service

### IR35 Public Sector Workers

Special guidelines and tests in the supply chain for Public Sector Contractors have come into force. The underlying rules on IR35 are not changing. However, the responsibility for determining whether they apply has now moved from the contractor to the end client. If the end client decides that the contract/engagement is caught by IR35, the contractor payments will be taxed at source, through the Real Time Information (RTI) system, the same if they were an employee.

Unfortunately, the employment status of contractors caught by the measures will not change despite paying tax like an employee unless the Contractor operates via an Umbrella Company. In such cases, the Contractor is employed by the umbrella company on a permanent basis, then supplied in a fixed term contract or assignment to end clients. The Umbrella company then makes the necessary income tax and deductions before remitting this to the contractor. Umbrella companies also handles the chasing up of late payments.

For now, the changes will only affect those engaged in the public sector – the Freedom of Information Act defines what is a Public Sector Client. The changes take effect from April 2017.

**Please contact DFO on the new measures as we can assess the impact of the changes on your status and assist you determine the best options for contracting. We also undertake thorough IR35 contract reviews and provide a fully compliant PAYE Umbrella service operated on flat fees with same day payments on receipt to you.**

### Umbrella and Contractor Loan Schemes

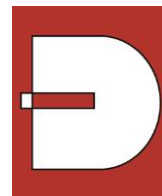
Under a compliant Umbrella model, income is processed under PAYE (allowing firstly for deductions on the Umbrella margin, Employer N.I and any retained holiday pay) so it stands to reason that the only material difference between providers is the fee you will pay them for providing their umbrella service to you.

However, please note that several Umbrella providers, in an attempt to sign you up, are now operating contractors loan schemes and payments from trust etc. The companies that promote these schemes will tell you that these are tax saving schemes and will promise you a higher 'take-home pay'.

Scheme promoters will advise that the payment is non-taxable because it's a loan, and doesn't count as income. In reality, you don't pay the loan back so it's no different to normal income and should be taxable. DFO urges Contractors to be vigilant of such schemes as HMRC take a very strong stance on them. Should HMRC deem the scheme as amounting to tax avoidance, you will end up paying back paying the taxes plus penalties and interest.

DFO does not operate, promote or advocate any kind of Contractor loan scheme. Our Umbrella service is run under a strict PAYE model. Our flat fees, comprehensive insurance cover, dedicated contractor portal and support services will ensure that you have complete peace of mind and reassurance.

Please contact us for further details on whether the Umbrella option is best suited for you and how we can help. If you are currently using an Umbrella provider but would like to assess the benefits of our service, we would certainly welcome your enquiry!



## Summary

We trust you have found this guide very useful. Please keep it for your reference in the future. We will endeavour to continuously amend it with latest news, changes, updates and developments.

DFO Consulting has 3 types of Company Contractor packaged services available for a fixed monthly fee to suit your specific requirements. We can also tailor a bespoke service catering for our additional services that include, but are not limited to all the items detailed on page 5 of our premier service schedule.

Should you have any queries or wish to sign up for our services, please contact us by email at [info@dfo-consulting.com](mailto:info@dfo-consulting.com) or call one of our friendly advisors on **020 3114 2145** or **0843 523 5143**

We can arrange a telephone or face-to-face meeting as required.