



Bid Perfect IR35 Compliance Guide

As of June 2025



A Comprehensive Guide to IR35 and Its Implications for Freelancers and Interim Support

1. Introduction

Purpose of the Guide

Understanding IR35 is essential for freelancers, contractors, and interim support professionals who operate through personal service companies (PSCs). This guide provides a thorough overview of IR35, its implications, and practical strategies to ensure compliance. Whether you're new to freelancing or have years of experience, this guide will help you navigate the complexities of IR35 and safeguard your business interests.

How to Use the Guide

This guide is designed for flexibility and ease of use. You can read through it sequentially to gain a comprehensive understanding of IR35, or jump directly to sections relevant to your situation. Each section is supported by practical advice, real-life examples, and links to further resources, ensuring you have all the information you need to manage your IR35 status effectively.

2. Understanding IR35

What IR35 Means for Freelancers and Interim Support Professionals

IR35 is a UK tax legislation aimed at preventing tax avoidance by individuals who provide services through intermediaries such as PSCs but would otherwise be considered employees if not for the intermediary. For those in bid consultancy and similar roles, understanding IR35 is crucial, as it impacts taxation and your overall business operations.

3. Defining IR35 and Its Purpose

IR35, officially known as the Intermediaries Legislation, seeks to determine whether a freelancer or contractor is genuinely self-employed or if they are effectively an employee for tax purposes.

- **Inside IR35:** If your contract falls inside IR35, you are taxed as an employee, meaning you pay income tax and National Insurance contributions (NICs) similar

to an employee. The fee payer, usually your client or agency, is responsible for these deductions.

- **Outside IR35:** If your contract is outside IR35, you are considered self-employed. This allows you to operate through your PSC and benefit from tax efficiencies, such as taking dividends and claiming business expenses.

Useful Link: For more detailed information on IR35, you can visit the [UK Government's official IR35 guidance](#).

4. How Does IR35 Work?

Determining your IR35 status depends on the working relationship between you and your client. HMRC considers several factors:

- **Control:** The level of control the client has over how, when, and where you work. More control suggests a relationship akin to employment, potentially placing the contract inside IR35.
- **Substitution:** The ability to send a substitute to perform the work. If the work must be done personally, it may indicate an employment relationship.
- **Mutuality of Obligation (MOO):** Whether the client is obligated to provide work and you are obligated to accept it. Mutual obligation often points to an employment relationship.
- **Financial Risk:** Genuine freelancers bear financial risk, such as liability for rectifying unsatisfactory work at their own expense.
- **Provision of Equipment:** If the client provides necessary tools and equipment, this might indicate an employee-like relationship.

These factors should be evaluated collectively, as no single element is decisive. It's advisable to use [HMRC's Check Employment Status for Tax \(CEST\) tool](#) for a preliminary assessment, but also seek professional advice to ensure accuracy.

5. Contractual Clauses to Ensure IR35 Compliance

To protect your IR35 status, ensure your contracts clearly reflect a genuine business-to-business relationship. Consider the following key clauses:

1. **B2B Contract Structure:** Ensure the contract is structured as a business-to-business agreement, distinguishing your role from that of an employee.
2. **Work Order or Service Contract:** Attach a detailed appendix specifying the services your limited company will provide, focusing on deliverables, timelines, and payment terms.
3. **Payment for Work Completed:** Specify that payment is contingent on work completed, not merely availability, to align with a self-employed status.

4. **No Mutuality of Obligation:** Clearly state that there is no obligation for the client to provide ongoing work beyond the current assignment.
5. **Control Over Work:** The contract should allow you to control where, when, and how the work is performed.
6. **Absence of a Notice Period:** Replace traditional notice periods with clauses tied to project completion, reflecting the project-based nature of your work.
7. **No Overtime Clauses:** Avoid clauses tying fees to hours worked; instead, link them to specific deliverables.
8. **Substitution Clause:** Include the right to send a substitute to perform the work, reinforcing your status as self-employed.
9. **Redoing Work:** Make your limited company responsible for redoing unsatisfactory work at your expense, indicating acceptance of financial risk.
10. **Payment Linked to Deliverables:** Payments should be tied to specific deliverables, not time worked.
11. **Expense Clauses:** Ensure expenses claimed are directly related to achieving project deliverables, maintaining a clear distinction from employee status.

Incorporating these clauses will help position your contracts outside IR35, reducing the risk of non-compliance.

6. Tips and Best Practices

Callout Boxes

- **Key Tip:** Regularly review your contracts and working practices to ensure they align with IR35 requirements. Small adjustments can have a significant impact on your IR35 status.
- **Best Practice:** Maintain detailed records of your work, including invoices, timesheets, and client correspondence, to support your IR35 status in case of an HMRC investigation.

Quotes and Testimonials

- **Industry Expert Quote:** “Ensuring your contracts accurately reflect a genuine self-employed relationship is essential. Regular reviews and professional advice are crucial to staying compliant.”— Sarah Wilton, Chartered Tax Advisor.
- **Client Testimonial:** “With Bid Perfect’s guidance, I’ve successfully navigated IR35, allowing me to focus on my work without worrying about compliance.”— Mark Johnson, Freelance Bid Consultant.

Useful Link: For further reading on crafting IR35-compliant contracts, check out [Contractor Weekly’s guide to IR35](#).

7. The Implications of Being Inside or Outside IR35

Your IR35 status has direct implications for your finances and tax responsibilities:

- **Inside IR35:** You will be taxed as an employee, meaning income tax and NICs are deducted at source by your fee payer. This typically results in reduced take-home pay compared to being outside IR35. Despite being taxed as an employee, you do not gain associated employment rights such as sick pay or holiday pay.
- **Outside IR35:** If outside IR35, you can take advantage of tax efficiencies, such as paying yourself through a combination of salary and dividends and claiming business expenses, leading to higher take-home pay and greater financial control.

Useful Link: For a deeper understanding of IR35's financial implications, visit [Contractor UK's IR35 section](#).

8. Professional Indemnity Insurance and the Business Entity Test

Professional indemnity insurance is a critical component of your IR35 compliance strategy. It not only protects you against claims of professional negligence but also supports your position as a genuinely self-employed contractor. Although the Business Entity Test is no longer widely used, HMRC may still consider factors such as professional indemnity insurance when assessing your IR35 status.

Having this insurance demonstrates that you are operating as a legitimate business, accepting financial risks, and are not simply a disguised employee.

Useful Link: Learn more about the importance of professional indemnity insurance on the [HMRC website](#).

9. Steps to Take if You're Inside IR35

If your contract is inside IR35, consider the following steps to adjust your business practices and finances:

1. **Negotiate Rates:** Since being inside IR35 reduces your take-home pay, consider negotiating higher rates with your clients to compensate for the increased tax burden.
2. **Consider Employment:** Evaluate whether accepting a direct employment role might offer better financial and employment benefits, especially for long-term engagements.

3. **Evaluate Your Business Model:** If IR35 is significantly impacting your income, consider seeking contracts that are clearly outside IR35 or diversifying your client base.
 4. **Maintain Multiple Clients:** Working with multiple clients throughout the year can help reinforce your status as self-employed.
 5. **Avoid Employee-Like Behaviour:** Ensure that your work practices remain distinct from those of the client's employees, avoiding any benefits or behaviours that might suggest an employment relationship.
 6. **Stay Informed:** IR35 is a dynamic area of law. Regularly update yourself on legislative changes and seek professional advice to ensure ongoing compliance.
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10. IR35 Reforms and Recent Changes

The IR35 reforms introduced in April 2021 significantly altered the landscape for contractors:

- **Client Responsibility:** For medium and large businesses, the responsibility for determining IR35 status now lies with the end client, who must provide a Status Determination Statement (SDS).
- **Fee Payer Responsibility:** If your contract is inside IR35, the fee payer is responsible for deducting tax and NICs and paying these to HMRC.
- **Small Businesses Exempt:** When contracting with a small business, the responsibility for determining IR35 status remains with you, the contractor.

These changes have led to more cautious approaches from clients, making it essential for contractors to fully understand their IR35 status and ensure compliance. It's crucial to independently assess your contracts even if the client determines your IR35 status.

11. IR35 and the Future of Freelancing

The introduction and reforms of IR35 have undoubtedly added complexity to freelancing and interim support roles. However, opportunities remain for those who adapt:

- **Increased Demand for Flexibility:** Despite the challenges posed by IR35, businesses still require flexible workforces. Both freelancers and clients must navigate IR35 carefully to maintain these relationships.
- **The Role of Technology:** Utilising tools like project management software can help you demonstrate independence, which is crucial for maintaining an outside IR35 status.
- **Evolving Work Practices:** The rise of remote work and the gig economy may influence future interpretations of IR35, potentially leading to further reforms.

- **Continuous Learning:** Staying informed about legislative changes and adapting your practices accordingly is key to thriving in a post-IR35 world.
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12. Compliance Checklist

Use this checklist to assess your IR35 status and ensure compliance:

- Review your contract for B2B structure and relevant clauses.
- Ensure payment terms are tied to deliverables, not time worked.
- Confirm that you retain control over how, when, and where work is performed.
- Include a substitution clause in your contract.
- Maintain professional indemnity insurance.
- Keep detailed records of your work and client interactions.
- Regularly reassess your IR35 status, especially with new contracts.

Regularly refer to this checklist to stay compliant with IR35.

13. Disclaimer

This guide is for informational purposes only and does not constitute legal or financial advice. IR35 is a complex area of law, and individual circumstances vary. We strongly recommend seeking professional advice tailored to your specific situation to ensure compliance with the legislation. I.e. [Qdos](#), and [IR35 Shield](#) are just a few organisations that can advise you.

14. Conclusion

Staying Compliant and Protecting Your Business

IR35 presents challenges, but with a thorough understanding and careful management, you can continue to operate successfully as a freelancer or interim support professional. By staying informed, regularly reviewing your contracts, and seeking professional advice when necessary, you can navigate IR35 with confidence and protect the long-term sustainability of your business.