



Are you Self-Employed?

If only it was as simple as deciding that you want to be self-employed, and going through all the necessary steps to register yourself with the Tax Man (HMRC). Few things are that simple when it comes to tax matters!

It is possible for you to be registered as self-employed, and take on a contract under which you believe that you are accepting as a self-employed person but the Tax Man decides that you are employed by the engager – without either you, or the engager intending that to be the case.

So, how do you know if you are self-employed? Well, a series of case law has sprung up over the years which can help you to decide, but be aware that this isn't an exact science!

If you answer "Yes" to most of the following questions then it is likely that you are employed:

- Do you have to be there in person, performing the duties? I.e, you can't send a substitute?
- Do you have a set amount of hours to work in a week or shift patterns?
- Can a supervisor move you on to different tasks, or tell you how and where to carry out tasks?
- Do you get paid by the hour, week or month?
- Do you have the opportunity to earn overtime pay or bonus payments?

If you answer "Yes" to most of the following questions then it is likely that you are self-employed:

- Do you risk your own money?
- Can you hire someone else (at your expense) to help complete the work?
- Do you provide the equipment needed to do the job (not just hand tools)?
- Have you agreed a fixed price for the job, irrespective of how long it takes?
- Can you decide how, when or where to do the work (or the majority of these. For example, you are working on an electrical installation which must take place at the client's site, but you can choose when you arrive and leave)?
- Do you regularly work for a number of different people?

These questions are taken from HMRC's website, and further explanation about each question can be found on the site at www.hmrc.gov.uk/employment-status/index.htm

This really is one of those grey areas in life, however the HMRC website is actually quite helpful. It provides an application called the Employment Status Indicator, on which you answer a series of questions anonymously and it tells you what your employment status is.

It is also important to remember that just because you are self-employed in one job, you may be employed in another job. It is not what the contract says, or whether you are registered as self-employed that counts, but the reality of the relationship on a practical level that will be used to determine your employment status.

So, why does it matter whether you call yourself employed or self-employed?

Well, it matters to the amount of Tax and National Insurance Contributions you owe the Tax Man. Obviously, you don't want to pay more than you are due to, but equally there are large fines, demands for payment of tax and NI due, and now a name and shame deterrent that the Tax Man will use to get what is due if you don't pay enough, or on time.

As regards CIS payments, the scheme only operates for self-employed people performing operations which are classified under the scheme. If you aren't self-employed, then you simply don't need to worry about your payments being made under the terms of the scheme.

False self-employment is a hot topic at the moment (see our latest news section on our website), don't let yourself get caught in the cross-fire.

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