IR35 Workbench by Ascend PEOPLE SOLUTIONS

GUIDE FOR CONTRACTORS

Running your limited company outside IR35

How to run your company as a genuine business, how each engagement should work in practice, and the evidence to keep so you can show it.

For contractors working through their own limited company • Reviewed 27 October 2026

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The short version

IR35 is decided one engagement at a time. What matters is how a particular contract is written and, more importantly, how the work is actually done. Running your company like a proper business helps, and you should do it, but it supports an outside position rather than creating one.

> **The three things that decide most cases**
>
> Whether you must do the work personally, how much say the client has over how you do it, and whether your company carries real financial risk. Get those right in the contract and in day-to-day practice, then keep the records that prove it.

Who this guide is for

This guide is for contractors who supply their services through their own limited company, often called a personal service company. That is the arrangement IR35 and the off-payroll working rules are aimed at.

This guide applies if

- you work through your own limited company, or through a partnership or other intermediary
- you are thinking of setting up a company and want to know what an outside engagement looks like. A company on its own does not change your status.

It does not apply if

- you are a sole trader contracting directly. IR35 assessments do not apply to you.
- you are employed by an umbrella company. PAYE is already operated on your pay.

Who makes the decision

Since April 2021, a medium or large client must decide your status, take reasonable care doing it, and give you a Status Determination Statement (SDS) setting out its conclusion and the reasons. If the client is small, your own company makes the decision.

From 6 April 2026 a client company counts as small if it meets two or more of these for two financial years in a row:

TEST	SMALL IF
Annual turnover	**£15 million or less**
Balance sheet total	**£7.5 million or less**
Average employees	**50 or fewer**

Groups are tested on the whole group's figures. A client can tell you whether it is small, and should tell you if that changes.

Either way, the habits in this guide matter. With a small client, the decision and the burden of proof sit with your company. With a medium or large client, good evidence is what lets you challenge an SDS you disagree with.

How status is decided

There is no single test. HMRC and the tribunals look at the whole picture, built from these factors. The first three carry the most weight.

Personal service

Do you have to do the work yourself, or can your company send someone else with the right skills and pay them?

Control

Who decides how the work is done? Clients can set the outcome, deadlines and site rules. Close supervision of your methods points inside.

Financial risk

Does your company stand to lose money, for example by fixing defects at its own cost, pricing a fixed fee, or paying for its own equipment?

Mutuality of obligation

Is the client obliged to offer more work and are you obliged to take it? Most contracts carry some obligation, so this rarely settles a case alone.

Part and parcel

Are you treated like a member of staff, on the org chart, managing employees, using staff perks?

Business on your own account

Is your company a genuine business with other clients, marketing, insurance and investment? This is supporting evidence, covered below.

HMRC's free Check Employment Status for Tax (CEST) tool does not ask about your wider business at all. That is one reason to keep strong evidence of the engagement itself.

Get the contract right

The contract is where your status starts. It should read as an agreement between two businesses, with your company providing a service, not an individual filling a job.

- **Contract with your company, not with you.** The parties are your limited company and the client or agency. Sign as a director of your company.
- **Describe a service or a deliverable.** A schedule of work, a project, or defined outputs reads better than a job title and an hours requirement.
- **Include a genuine right of substitution.** Your company can send a suitably qualified substitute and pays them. The client may refuse only on objective grounds such as skills, qualifications or security clearance.
- **Leave the method to you.** The client sets what is needed and when. The contract should not give the client the right to direct how you carry out the work.
- **Put real risk on your company.** Fixing defective work at your own cost and time, carrying your own professional indemnity insurance, and fixed-price or milestone fees where the work suits it.
- **Leave out employee terms.** No holiday pay, sick pay, pension, staff benefits, appraisals, disciplinary procedures or probation periods.
- **Match notice terms to a business relationship.** Ending on notice, or on completion of the work, rather than an open-ended role.

> **Clauses only count if they are real**
>
> Tribunals look past the wording to what actually happens. A substitution clause nobody would ever use, or a control clause that bears no relation to how you are managed, carries little weight and can damage your credibility. Make the contract describe the real arrangement.

You can upload a contract to our free contract check for a clause-by-clause report on how its terms read under IR35, and compare it against our model contracts.

Work the way the contract says

Working practices usually decide the case. If the contract says one thing and the working day says another, the working day wins. These habits keep the two in line.

Control

- Agree outcomes, deliverables and deadlines, then decide your own methods, sequence and hours within them.
- Tell the client your availability. You don't ask permission for time off the way an employee books holiday.
- Report on progress against the work. Avoid one-to-ones, appraisals or performance reviews of the kind staff receive.
- Site rules, health and safety, security and working-hours limits on site are fine. Following them is not control over how you do the work.

Substitution

- Know who you could send. Keep a note of suitable associates.
- If you ever offer or use a substitute, or bring in help that your company pays, keep the emails and invoices. One real example is worth more than any clause.

Financial risk

- Put right any errors in your own time and at your company's cost, and record when you do.
- Pay for your own tools, equipment, software and training where practical.
- Quote fixed prices for defined pieces of work where the work allows it.

Stay separate from the client's staff

- Don't line-manage the client's employees, approve their holidays or sit on their org chart.
- Don't take staff benefits such as the canteen subsidy, staff parties, gym membership or a staff discount scheme.
- If you must use a client email address or badge for security, ask for it to show you as a contractor with your company's name.
- Keep using your own company email, signature and documents wherever you can.

Run a real business

Tribunals do look at your company as a whole, including work for other clients. On its own this will not save an engagement that looks like employment, but it strengthens an outside position and shows that each contract is one part of a wider business.

WHAT TO DO	HOW YOU SHOW IT
Win work from more than one client over time, and keep looking for new work while a contract runs.	Contracts and invoices for other clients, proposals, tender responses and pitches, including ones you lost.
Market the company as a business with its own identity.	A website, a company LinkedIn page, a capability statement, business cards, and adverts or directory listings.
Set your own terms and invoice for them.	Company invoices with your payment terms, your own standard terms, and records of chasing late payment.
Carry the insurance a business needs.	Professional indemnity and public liability certificates, plus employers' liability if you take on staff.
Invest in the company.	Receipts for equipment, software licences, training and certifications paid for by the company and not reimbursed by clients.
Keep the company's affairs separate from yours.	A business bank account, an accountant, filed accounts, and VAT registration where your turnover requires it.
Be able to grow beyond yourself.	Associates you could subcontract to, any staff, and any work delivered by someone other than you.

Many long-term contractors work for one client at a time. That does not put you inside IR35, but it does make the terms and working practices of that engagement carry more of the weight.

Keep an evidence file

If HMRC opens an enquiry, it will ask what happened, sometimes years later. Memories fade and people move on. A simple folder for each engagement, kept up as you go, is the most useful thing in this guide.

KEEP	WHY IT MATTERS
The signed contract, schedules, and every extension or variation	Shows what was agreed and whether the role changed
Statements of work and emails agreeing deliverables	Shows you were engaged for outcomes, not hours
Anything on substitution or subcontracted help	The strongest single piece of evidence if it exists
Emails showing you chose the method or timing	Evidence of limited control
Records of fixing defects at your own cost	Evidence of financial risk
Each SDS, IR35 assessment and contract review	Shows the decision and the reasonable care taken
Invoices, insurance certificates and other-client work	Supports business on your own account

Keep the file for at least six years after the engagement ends. HMRC can normally look back four years, six if it thinks the error was careless, and longer in cases of deliberate behaviour.

When things change

Status can change during an engagement. Roles drift, and a project that started with clear deliverables can turn into an open-ended role.

- **Watch for role creep.** Managing staff, covering an absent employee, or taking on general duties outside the original scope are the usual signs.
- **Treat each extension as a fresh decision.** A new schedule of work with new deliverables is better than rolling the same role forward.
- **Ask for a reassessment** when the work or the way you are managed changes materially. Your client should review its decision.
- **Challenge an SDS you disagree with.** Write to the client with your reasons and evidence. It must consider them and reply within 45 days, either confirming its decision with reasons or issuing a new SDS.

Warning signs

Any one of these can point inside IR35. Several together usually do.

- You were brought in to fill a vacancy, or to replace an employee doing the same job
- The client tells you how to do the work, not just what to deliver
- You are paid for your time with no exposure if the work goes wrong
- You manage or appraise client staff, or appear on their org chart
- You receive staff benefits or attend staff-only events
- The contract has rolled on for years with the same open-ended scope
- The substitution clause has never been and could never realistically be used
- Your company has no other clients, no marketing and no insurance

Your yearly check

Run through this at least once a year and at every renewal.

- [ ] The contract is between my company and the client or agency
- [ ] The contract describes a service or deliverables, not a job
- [ ] I have a genuine right to send a substitute, and I know who I would send
- [ ] I decide how, when and in what order I do the work
- [ ] My company fixes its own mistakes at its own cost
- [ ] I take no employee benefits and manage no client staff
- [ ] The role hasn't drifted from the original scope
- [ ] My company holds professional indemnity and public liability insurance
- [ ] My company markets itself and looks for other work
- [ ] The evidence file for this engagement is up to date
- [ ] I hold a current SDS or assessment for this engagement

Tick each line as you go. Anything you cannot tick is worth fixing or recording.

About this guide. This is general information about IR35 and the off-payroll working rules as they stand on 27 October 2026. It is not tax, legal or accounting advice, and it does not decide your status for any engagement. Ascend People Solutions Ltd does not give tax advice. For a decision on a specific engagement, use a full assessment or speak to a qualified tax adviser.

CHECK WHERE YOU STAND

Put an engagement to the test

The IR35 Workbench gives contractors three ways to check an engagement, all at ir35workbench.co.uk.

Free IR35 contract check

Upload a contract and get a clause-by-clause report on how its terms read under IR35. Contract only, in about 10 minutes.

Check a contract →

Full IR35 Assessment

Your answers and your end hirer's are assessed together, ending in a signed statement. £85 + VAT (£102.00), and the hirer is not asked to pay.

Get a full assessment →

Model contracts

Compare your contract against model outside-IR35 terms for direct and agency engagements.

See model contracts →

IR35 Workbench
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