

Employed v Self Employed for tax purposes

Background

The following notes are meant to be used as a **reference guide for whether an individual is employed or self employed for tax purposes**. Specific tax advice should be sought in relation to your own personal circumstances before implementing any of the guidance shown below.

Employed or Self employed?

There are a number of **tests** which apply in law and in tax to assess whether a worker has been engaged under a contract of services (**employed**) or a contract for services (**self employed**). Each test is very **subjective**, and specific advice should be sought for individual circumstances and scenarios.

Basic tests

The following examples are **indicative** of the types of criteria applied by HMRC when determining whether a worker should be classified as employed or self employed.

A worker is likely to be considered to be employed if:

- They **cannot provide a substitute** or hire other people to carry out the work;
- There is **control** over the worker's job, in terms of when and how work is carried out;
- The worker is provided with a **regular** wage, holiday and/or sick pay;
- There is very **little degree of financial** risk for the worker;
- The worker uses **equipment supplied** by the person engaging their services;
- The worker is working **wholly or mainly** for one business;
- The worker is carrying out their services at the **premises** of the person or company they are working for;
- There is a **mutuality of obligations** between the worker and the person engaging their services.

A worker is likely to be considered to be self-employed if:

- The worker is ultimately responsible for how the work is done, and all aspects of how their business is run;
- There is a degree of financial risk for the worker (ie supplies own materials, is culpable for losses);
- The worker controls the work they do, and when and how they do it;
- The worker can hire additional staff, provide a substitute when sick or on holiday;
- The worker does not receive sick pay or holiday entitlements;
- The worker is responsible for their own affairs, such as VAT returns, National Insurance Contributions and Tax.

Cowgill Holloway SBU is currently working in conjunction with tax specialists at Manchester and Cheshire based accountancy firm Sedulo.

For further details on how we can assist you with your tax affairs please contact:

Phil Keeling
Cowgill Holloway SBU
42-44 Chorley New Road
Bolton
Lancashire
BL1 4AP

Tel: 01204 434 241
Email: phil.keeling@cowgills-sbu.co.uk

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