

IR35 Glossary

Word	Definition
Agency	A company that sources and supplies a contractor to their client as an agent, where the contractor works directly alongside the client, as opposed to working on projects determined by the company. The company then pays the contractor's PSC for that work.
Check Employment Status for Tax (CEST)	CEST stands for "Check Employment Status for Tax and is HMRC's tool created to help companies determine their IR35 status.
Contractor	An independent individual who has been brought in to work for a fixed duration on a specific piece of work. They are providing a service to their client (either Methods or Methods' clients).
End client/End user	The company or entity who is ultimately buying a service. For Methods this is likely to be the company they have been contracted to provide a service to. For Contractors this could be either Methods, or Method's End Client. This will depend on how Methods has engaged with their end client and the nature of the services being provided.
Fee payer	The company who is paying the contractors' intermediary/PSC (often this is Methods). The fee payer is responsible for deducting and processing PAYE before paying the intermediary. Methods can be the fee payer, the end client, or both.

Inside IR35	The contractor is considered an employee for tax reasons. Effectively, this means they are required to pay tax at the same rate as an employee in the same tax bracket, and any fee payer must deduct PAYE from any payments made to them.
Intermediary reporting	<p>Any company paying fees to contractors (directly to them or indirectly through intermediaries, e.g. a contractor’s PSC) who have been assessed as being outside of IR35 must report all payments made to these contractors to HMRC every 3 months.</p> <p>Details that must be supplied include name, address, NI number and date of birth of the contractor, as well as the amount paid and the intermediary to whom the payment has been made.</p> <p>Where a contractor has been assessed as inside IR35, PAYE is deducted from every payment made and therefore the reporting of this to HMRC is deal with through normal PAYE reporting.</p>
IR35	A set of tax rules designed to ensure contractors are paying the correct amount of tax. Contractors can either fall “inside” or “outside” of these rules. Also referred to as “Off-payroll legislation”
IR35 status review	The review of an individual contractor’s IR35 status, completed via a detailed questionnaire on the Qdos Portal. The result will give the final “Inside” or “Outside” status for an assignment
Key Information Document (KIDs)	Key Information Documents provide information to the agency worker regarding PAYE and other pay-related facts for their new assignment. This should be sent to candidates before they sign their contract. The responsibility for issuing the KID sits with the business who places the contractor, e.g. Methods.

Outside IR35	The contractor is considered self-employed for tax purposes and are free to pay themselves in the most tax efficient way, which is typically through a mixture of salary and dividends taken from their PSC.
Outsourced service	A service where the provider has sole responsibility and control over how the work is completed. The service would have agreed deliverables and outcomes the service provider would need to achieve. The service provider's client would have no say as to which workers complete work or what process is followed to achieve the deliverables.
Personal service company (PSC)	A company where the individual providing the service through it is the main shareholder and the director of the company. The majority of Methods contractors work through their own PSC.
Preferred supplier list (PSL)	A registered list Methods maintains of trusted companies (either umbrella or agencies) that we have agreed terms with and that are compliant with industry standards.
Reasonable care	<p>A conscious set of actions have been taken to ensure accurate IR35 statuses have been determined for contractors. Examples of no reasonable care include blanket status assessments per project rather than per role.</p> <p>Reasonable care also covers the need for Methods to ensure we are auditing our process regularly, for project set up, recruitment and also status reviews for the contractors. Additionally, ensuring the agencies and umbrella companies we work with are compliant. Keeping the necessary evidence that supports the application of process.</p>

Role assessment	The initial assessment of a role at the recruitment stage, completed via a short questionnaire on the Qdos portal but not yet associated with a named contractor.
Service provider	A company contracted to deliver a specific service to their client.
Status Determination Statement (SDS)	A written statement confirming the IR35 status to a contractor. The statement will outline reasons why the role has a certain IR35 status. It is a formal notification provided by the entity that needs to carry out the IR35 status review, which will either be Methods or our end client.
Sub-contracting	When Methods brings in another company to complete the work. That company will be responsible for delivery, not Methods. The terms from the client contract must be cascaded down from Methods to the subcontracting company.
Supervision, Direction, Control (SDC)	<p>These are the main factors HMRC consider when determining the status of a contractor.</p> <ul style="list-style-type: none"> • Supervision: is the contractor's work being overseen to ensure their work is being completed correctly? • Direction: has the contractor been told to complete the work in a certain way, to follow specific processes or guidance? • Control: can the contractor be told where and when to complete the work, or can they be moved to different roles?
Supply of labour	Where a company finds contractors for their client, where the client selects the contractor through an interview process and directly oversees how the work is delivered. In these circumstances the company supplying the contractor is working as an agency.

Umbrella company	A company which takes contractors on as their employees. As the contractor is an employee of the umbrella company, PAYE will be operated for them by the umbrella company.
Working practices	What is actually happening on site. How the contractor will work and engage with Methods and the client.