



IR35 ONLINE COMPARATIVE CALCULATOR TOOL

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ELLIS IT IR35 COMPARATIVE CALCULATOR TOOL

Ellis IT has developed a proprietary online comparative calculator tool that looks at the overall commercial arrangements of an assignment via a temporary worker service (TWS) or an external PAYE provider (referred to throughout as an inside IR35 assignment) and an outside IR35 engagement via a professional services company (PSC), as well as the financial implications for comparative purposes.

The first two calculators compare the specific outputs for both an inside IR35 assignment and an outside IR35 engagement with the ultimate purpose of detailing the financial elements from the various rates (contract value/engagement/assignment) through to taxation and net earnings of both options, with the final output being an effective daily net rate in pounds and a percentage of the assignment/engagement rate that is retained as a net figure, so that one can compare the two options that we recommend for working inside and outside IR35.

If a difference occurs in the effective daily net rate in pounds and a percentage of the assignment/engagement rate that is retained as a net figure between an inside IR35 assignment and outside IR35 engagement, a third calculator takes the effective daily net of an outside IR35 PSC and reverse-engineers the calculations to

show the assignment rate that is needed for an inside IR35 TWS to match the effective daily net of the outside PSC option. This therefore gives a full lifecycle of the options.

The calculator is based on a 12-month contract with relevant holiday days taken into consideration and assumes a tax code of 1250L and is for illustrative purposes only. All data for NI and taxation has been calculated for the current tax year using data and information directly from the HMRC website. We assume opt-out from pension auto-enrolment. Tax calculations are dependent on specific circumstances, therefore individual advice should be sought.

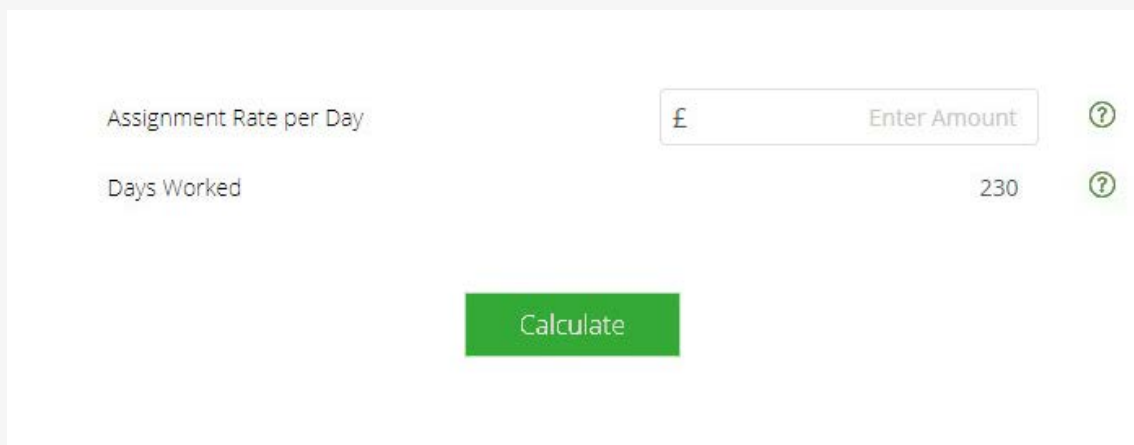
CALCULATOR ONE

Inside IR35 Assignment Input

The first calculator looks at an inside IR35 assignment via our temporary worker service (TWS) offering or via an external PAYE provider.

The input screen allows the contractor to input their desired rate per day e.g., £500.00, and the amount of working days is prepopulated with 230

N.B. We use 230 by taking the 260 Monday to Friday days during a hypothetical annual period and subtracting firstly the average 8 bank holiday days in a year and further deducting 22 days for holiday entitlement.



Assignment Rate per Day	£	Enter Amount	?
Days Worked		230	?

Calculate

Inside IR35 Assignment Output

This results in a summary output which calculates a contract value per day and total contract value for the entire period, which is the figure we use to add on our margin in order to provide a charge rate to the client. From this contract value, the fees to administer a TWS or what an external PAYE provider may charge are taken off, as well as showing what we as a TWS provider or an external PAYE provider would have to pay HMRC for employers' NI, based on the assignment rate.

From the assignment rate, a full employee payslip is detailed, taking off employee NI due. This results in an employee net salary amount for the 12-month period.

The last element of this view is an effective daily net — i.e., from the assignment rate, what will be the take home pay? — and it also calculates a net retention percentage of the assignment rate as an effective daily net.

Within the summary and by clicking on the icons, you will see an expanded full and detailed breakdown of all elements is provided

Assignment Rate Per Day	£ 500.00
Days Worked	230
Contract Value (TWS) per Day	£ 567.78
Contract Value (TWS)	£ 130,578.78
TWS/Payroll Provider Fee	-£ 900.00
Employer NI Due	-£ 14,678.78
Assignment Rate/Gross Pay Rate	£ 115,000.00
Employee NI Due	-£ 6,264.16
Employee PAYE Income Tax Due	-£ 36,500.00
Net Salary	£ 72,235.84
Effective Daily Net	£ 314.07
Net Retention %	62.81 %

Assignment Rate/Gross Pay Rate	£ 115,000.00
Personal Allowance to include Adjustment for Assignment Rate/Gross Pay Rate > £100,000	£ 6,000.00
Assignment Rate/Gross Pay Rate Liable to PAYE Income Tax	£ 110,000.00
Assignment Rate/Gross Pay Rate Taxable at BBT	£ 97,500.00
PAYE Income Tax Due at BBT	-£ 7,500.00
Assignment Rate/Gross Pay Rate Taxable at HRT	£ 72,600.00
PAYE Income Tax Due at HRT	-£ 29,000.00
Assignment Rate/Gross Pay Rate Taxable at AST	£ 0.00
PAYE Income Tax Due at AST	-£ 0.00
Total PAYE Income Tax Due	-£ 36,500.00

The next and final output is the expanded full and detailed breakdown of the entire financial elements of the assignment to a granular level of detail e.g., breaking down the employee PAYE income tax based on the varying and applicable HMRC bands.

CALCULATOR TWO

Outside IR35 Engagement Input

The second calculator looks at an outside IR35 engagement via a contractor's limited company, often referred to as a personal services company (PSC).

The input screen prefills the desired rate per day from the previous entry on the first calculator e.g., £500.00 (which can be edited) and the 'Days Worked' field is prepopulated with 230.

N.B. We use 230 by taking the 260 Monday to Friday days during a hypothetical annual period and subtracting firstly the average 8 bank holiday days in a year and further deducting 22 days for holiday entitlement.

We've pre-filled this value based on your previous entry. Click to edit.

Engagement Rate Per Day £ 500.00 ⓘ

Days Worked 230 ⓘ

Overheads

Computer Equipment £ Enter Amount

Professional Indemnity Insurance £ Enter Amount

IR35 Insurance £ Enter Amount

Employee & Public Liability £ Enter Amount

Accounting Fees £ Enter Amount

Enter Other Expenses Description £ Enter Amount ⓘ

Staff Costs

Pension Contribution £ Enter Amount

Contractor Gross Salary £ Enter Amount

Add second employee?
☐ Yes ☒ No

It then enables the input of the PSC's overheads with the facility to add as many overhead fields with specific descriptions as desired, as well staff costs including pension contributions and the addition of additional employee salaries, where appropriate.

Outside IR35 Engagement via a Personal Services Company (PSC)		
	Expand All	Collapse All
Rates & Days		
Daily Engagement Contract Rate ⓘ		£ 500.00
Days Worked ⓘ		230
Edit		
Profit & Loss		
Revenue		£ 115,000.00
Overheads		-£ 0.00 ⓘ
Staff Costs		-£ 0.00 ⓘ
EBIT		£ 115,000.00
Edit		
Taxation		
Corporation Tax		-£ 21,850.00 ⓘ
Net Profit After Tax		£ 93,150.00
Dividend at 100% - Based on Single Shareholder		£ 93,150.00
Personal Tax on Dividend - Based on Single Shareholder		-£ 17,623.75 ⓘ
Retained		
Retained Dividend - Based on Single Shareholder		£ 75,526.25
Employee Net Salary (after PAYE and Employee NI)		£ 0.00 ⓘ

The next and final output is the expanded full and detailed breakdown of the entire financial elements of the engagement to a granular level of detail e.g., breaking down dividend taxes due based on the varying rates of dividend tax, from basic rate to higher through to additional rate, dependant on the key variable of overall individual earnings.

PAYE Income Tax Due	-£
Assignment Rate/Gross Pay Rate	£ 115,000
Personal Allowance to Include Adjustment for Assignment Rate/Gross Pay Rate > £100,000	£ 5,000.00
Assignment Rate/Gross Pay Rate Liable to PAYE Income Tax)	£ 110,000.00
Assignment Rate/Gross Pay Rate Taxable at <u>BRT</u>	£ 97,500.00
PAYE Income Tax Due at <u>BRT</u>	-£ 7,500.00
Assignment Rate/Gross Pay Rate Taxable at <u>HRT</u>	£ 72,500.00
PAYE Income Tax Due at <u>HRT</u>	-£ 29,000.00
Assignment Rate/Gross Pay Rate Taxable at <u>ART</u>	£ 0.00
PAYE Income Tax Due at <u>ART</u>	-£ 0.00
Net PAYE Income Tax Due	-£ 36.50

CALCULATOR THREE

Inside IR35 Assignment Retaining Same Net As Outside IR35 Input

The third calculator takes the effective daily net figure from calculator two (outside IR35 via PSC) and reverse-engineers that figure to calculate an assignment rate via our temporary worker service (TWS) offering or via an external PAYE provider that would return the same effective daily net.

The input screen prefills the effective daily net from the outside IR35 via PSC calculator (though this field can also be edited) and the amount of working days is prepopulated with 230.

N.B. We use 230 by taking the 260 Monday to Friday days during a hypothetical annual period and subtracting firstly the average 8 bank holiday days in a year and further deducting 22 days for holiday entitlement.

We've pre-filled this value based on your previous entry. Click to edit.

Effective Daily Net £ 288.08

Days Worked 230 ?

Calculate

Inside IR35 Assignment Retaining Same Net As Outside IR35 Output

This results in an summary output which takes the effective daily net multiplied by the days worked and grosses those figures all the way up to obtain a contract value per day and total contract value, which is the figure we use to add on our margin in order to provide a charge rate to the client.

From this contract value, the calculator works back down deducting the fees to administer a TWS as well as showing what we as a TWS provider or another PAYE provider would have to pay HMRC for employers NI based on the assignment rate.

The next step is the calculation of the total assignment rate with a full employee payslip detailed taking off employee NI due resulting in an employee net salary amount for the 12-month period, which is then reconciled to the effective daily net multiplied by the 'Days Worked' figure.

The last element of this view is confirmation of the assignment daily rate net and it also calculates a net retention of the entered effective daily net rate from the assignment daily rate as a percentage.

Within the summary and by clicking on the icons you will see an expanded breakdown of all elements is provided.

Inside IR35 Assignment Retaining Same Effective Daily Net Rate as Outside IR35

Expand All Collapse All

Effective Daily Net	£ 288.08
Days Worked	230
Edit	
Contract Value (TWS) per Day	£ 491.15
Contract Value (TWS)	£ 112,964.39
TWS / Payroll Provider Fee	-£ 900.00
Employer NI Due	-£ 12,842.77
Assignment Rate/Gross Pay Rate	£ 99,521.62
Employee NI Due	-£ 5,954.59
Employee PAYE Income Tax Due	-£ 27,308.65
Net Salary	£ 66,258.38
Assignment Rate per Day	£ 432.70
Net Retention %	66.58 %

The next and final output is the expanded full and detailed breakdown of the entire financial elements of the assignment to the granular level of detail e.g., breaking down the employer's NI due to be paid by us as the TWS provider (or via an external PAYE provider), based on the varying and applicable HMRC thresholds for employers' NI.

Assignment Rate/Gross Pay Rate £ 123,661.99 || Assignment Rate up to and including £12,000 | £ 8,632.00 |
Employer NI Due up to £12,000	-£ 0.00
Assignment Rate above £12,000	£ 118,029.99
Employer NI Due above £12,000	-£ 15,874.14
Total Employer NI Due	-£ 15,874.14
Assignment Rate/Gross Pay Rate	£ 123,661.99
Employer NI Due	-£ 5,437.00
Employee PAYE Income Tax Due	-£ 27,308.65