USER GUIDE

IR35 Compliance Copilot

How to produce a documented, defensible IR35 status position, an evidence pack, and a draft Status Determination Statement.

A Niggly Stuff tool | ir35.nigglystuff.co.uk

1. What this tool does

You describe a working arrangement in plain English. The tool works through the same tests HMRC and the employment tribunals use, then gives you four things:

- **A status determination:** Inside IR35, Outside IR35, or Borderline, with a confidence indicator.
- **The reasoning, test by test:** a written record of which way each factor points and why. This is the part the HMRC CEST tool does not give you.
- **An evidence checklist:** the contract clauses and working-practice evidence to keep on file, tailored to your result.
- **A draft Status Determination Statement (SDS) and a plain-English client summary:** documents to review, adapt and use.

Your information never leaves your device

There is no server, no account and no database. Everything runs in your browser, so nothing about the contract or the people involved is sent anywhere. You can use it with confidence on real, sensitive engagements.

2. Who it is specifically for

- **End-client businesses that engage contractors** through the contractor's own company (a personal service company), where the client is a public authority or a medium or large private business. Under the Off-Payroll Working rules these clients must issue an SDS for each engagement.
- **Contractors and their own companies** who want to understand where an engagement is likely to sit, and what evidence supports that.
- **Anyone facing an HMRC compliance check** who needs to show their reasoning was genuine and documented, not just a screenshot of a tool.

If the end client is a small private company

The Off-Payroll rules that require the client to issue an SDS do not apply. Responsibility for assessing status stays with the contractor's own company under the original IR35 rules, and the client does not issue an SDS. The tool asks about this at the start and will guide you accordingly.

3. When it will be useful

- At the start of a new engagement, before the contractor begins work.
- When you need to issue or refresh a Status Determination Statement.
- When the working arrangement changes, for example the contractor takes on supervision, fixed hours, or an open-ended role, which can move the position.
- When an HMRC compliance check is looming and you need documented, plain-English reasoning to stand behind.
- When you have used HMRC's CEST tool but want a recorded rationale, because CEST does not keep one.

4. Before you start, what to have to hand

- The written contract and any schedule or statement of work.
- **An honest picture of how the work really happens day to day.** A tribunal looks at the reality, not only the contract, so answer on what actually happens.
- The names you will need for the letter: the end client, the contractor's company, any agency you contract with, the role, and the engagement dates.

5. How to complete it, step by step

The tool is a short wizard, about sixteen plain-English questions grouped into steps. Under each question is a short note explaining why it is asked. Answer every question on a step to move on.

Step	What it asks about	How to answer well
The engagement	Names, role, dates, and whether the client is public or medium or large.	Have the contract to hand. Be accurate on the client size question, it decides whether an SDS is needed at all.
Control	Who decides how, when and where the work is done.	Answer on the reality. More client control over method points toward employment.
Substitution	Whether there is a genuine right to send someone else.	A right the client can veto for any reason is not genuine. Say what would really happen.
Mutuality of obligation	Whether work must keep being offered and accepted, and whether pay continues when there is no work.	Project or deliverable based work with no ongoing duty points away from employment.
The wider picture	Financial risk, equipment, integration, other clients, being in business, length of engagement.	Be candid. These tip finely balanced cases either way.

Answer honestly, not hopefully

The result is only as good as the answers. Honest answers give you a position you can defend. Flattering answers give you a number you cannot rely on, and can make things worse in a check.

6. Understanding your result

- **Outside IR35:** the arrangement looks like a genuine business-to-business contract. The contractor's company handles its own tax and can be paid gross.
- **Inside IR35:** the arrangement has the key features of employment for tax. Income Tax and National Insurance should be deducted by whoever pays the contractor's company.
- **Borderline:** the answers pull in different directions, or a key factor is finely balanced. The tool will not force a clean answer. This is where a specialist earns their fee.

A confidence indicator tells you how clear the case is. If your answers contradict each other, for example a genuine right of substitution alongside close daily supervision, the tool flags the contradiction and routes you to a specialist.

7. Your documents, and how to use each

- **The SDS letter (the main output).** For an Inside or Outside result you get a draft Status Determination Statement in the client's voice. Review it, then issue it to the worker and to the party you contract with, and keep a copy on file. A page of notes for the issuer flags anything to check and remove before sending. For a Borderline result the letter is replaced by a clearly marked draft that must not be issued until a specialist has reviewed it.
- **The evidence checklist.** Gather and keep these items on file. A determination is only as strong as the paperwork and working practices behind it.
- **The client summary.** A short, plain-English version to share with the contractor or a business owner who will not read the full reasoning.

8. How the documents should, and should not, be used

- **Treat the SDS as a draft, not a finished legal document.** The wording is careful plain English, not verbatim HMRC or statutory text. Have it checked before you issue it.
- **Take reasonable care.** The determination must reflect genuine judgement about the real arrangement. A determination made without reasonable care can be treated as if it was never given.
- **Keep it under review.** If the working arrangement changes, run the tool again and reissue if needed.
- **Do not rely on it as advice.** It is decision support. It is not a legal or tax opinion, and it is not endorsed by HMRC.

9. If in doubt, or if it is borderline

Borderline cases, and cases where answers pull in different directions, should go to a specialist IR35 or tax adviser before you rely on them. Getting a determination wrong can leave the fee-payer liable for backdated tax, National Insurance, interest and penalties.

This guide describes an online decision-support tool. It is general information, not legal, tax or financial advice, and it is not endorsed by HMRC. The rules referred to are the Off-Payroll Working rules (Chapter 10, ITEPA 2003) and the established employment-status tests. Requirements and thresholds change, and how they apply depends on your circumstances.