



£400 Contractor Day Rate

**“OUTSIDE IR35  
VS  
INSIDE IR35”**

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# How do the IR35 changes affect a Contractor's Net Pay?

Since April 2021, medium and large businesses have become responsible for determining IR35 status. If a Contractor is using an umbrella company or is PAYE, they will not have noticed any difference. If they are using a limited company and operating "Outside IR35" they are paid gross, whereas an "Inside IR35" role will be paid net.

The exact difference will vary, depending on individual circumstances. Below is a rough comparison on net pay and permanent salary equivalents.

# “OUTSIDE IR35”

**£400 Contractor Day Rate**

“Outside IR35”

= £5,096 p/month

**Permanent Salary Equivalent**

= £90,000 p/year

# “INSIDE IR35”

**£400 Contractor Day Rate**

“Inside IR35” Day Rate

= £4,194p/month

**Permanent Salary Equivalent**

= £72,000 p/year

## Difference in Contractor

### Net Pay

£902 p/month

## Difference to Permanent

### Salary Equivalent

£18,000 p/year

“Inside IR35” Contractor Day Rate to achieve the same income as £400 “Outside IR35” = £502 p/day.

**Percentage increase to make “Inside IR35” Contractor Day Rate equivalent to “Outside IR35” Contractor Day Rate = 26%**

Assumptions: 44 Week Year – Not via an Umbrella Company – 2021/2022 Tax Year

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