



£550 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”

£550 Contractor Day Rate

“Outside IR35”
= £6,600 p/month

Permanent Salary Equivalent

= £130,000 p/year

“INSIDE IR35”

£550 Contractor Day Rate

“Inside IR35” Day Rate
= £5,525p/month

Permanent Salary Equivalent

= £100,000 p/year

Difference in Contractor Net Pay

£1,075p/month

Difference to Permanent Salary Equivalent

£30,000 p/year

“Inside IR35” Contractor Day Rate to achieve the same income as
£550 “Outside IR35” = £720 p/day.

**Percentage increase to make “Inside IR35” Contractor Day Rate
equivalent to “Outside IR35” Contractor Day Rate = 31%**

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

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