

The Business Entity Tests

Test Number	Question	Score
1	Does your business own/rent separate business premises which are separate from your home and client's premises?	Yes = 10
2	Do you need Professional Indemnity Insurance?	Yes = 2
3	Has your business had the opportunity in the last 24 months to increase your business income by working more efficiently e.g. by finishing the work/project earlier than projected but still receiving the full agreed payment? For example you originally agreed with the engager that the work would take 3 months and cost £10,000 but you finished in 2 months and still received the full £10,000 at the end of the 2 month period.	Yes = 10
4	Does your business engage one or more workers who generate at least 25% of your business turnover annually?	Yes = 35
5	Have you been engaged on PAYE employment terms by your current engager within the last financial year with no significant changes to your working arrangements? If you are doing the same work you should answer yes to the question. Current engager also includes working at a different location owned by your engager or working at a different company but which is connected e.g. part of the same group.	Yes = [minus] -15
6	Has your service company invested over £1,200 on advertising, excluding entertainment in the last 12 months?	Yes = 2
7	Does your business have a business plan with cash flow forecast, that is regularly updated, and a business bank account which is separate from your personal account and identified as a business bank account by the bank?	Yes = 1
8	Would your business have to bear the cost of having to rectify any mistakes?	Yes = 4
9	Has your business been unable to recover payment for work done during the last 24 months in excess of 10% of annual turnover?	Yes = 10
10	Do you invoice for work carried out prior to being paid and negotiate payment terms?	Yes = 2
11	Can you hire other people on your own terms?	Yes = 2
12	Have you hired anyone in the last 24 months to do the contracted work you have taken on? This could be demonstrated by sending a substitute in your place or by sub-contracting, but in both cases your business remains responsible for the work and for paying the substitute or sub-contractor. You can still pass this test if you have to notify the end client of the name of the individual you are sending as a substitute.	Yes = 15

High Risk = 0 - 10 points

Medium Risk = 11 - 20 points

Low Risk = 21 points and above