

BENEFITS OF CONTRACTING

The trend of using freelance work forces has increased dramatically in recent years and looks set to continue. Contracting offers you the freedom to choose your future path; you decide who you work with and what work you do and you are your own boss. There are other benefits too, including:

- Variation – you can work in several types of companies in all industry sectors
- No office politics
- Global opportunities – you decide where you go
- Tax benefits – IR35. For more information visit: www.hmrc.gov.uk/ir35

Things to Consider

Before getting too excited you should consider if contracting is really what you want to do. There are a number of questions you need to ask yourself before you take the plunge:

- Security – Do you need the financial security that permanent work offers? Contracting can mean you have some periods of time where you are out of contract and looking for your next project. It also means that you lose entitlement to benefits like Holiday Pay and Sick Pay.
- Tax and Accounts – You become liable for all tax and accounts issues. Obviously hiring an accountant will help, but you need to be aware of what you are responsible for.
- Travel – if you are working for yourself you may need to travel to find work. This could mean having to stay away from home for extended periods.
- Admin – This all becomes your responsibility.

Getting Started

There are 2 ways of getting yourself set up as a Contractor. Firstly there is the option of working under an umbrella company or secondly you could create a limited company of your own.

If your intention is to become a contractor for any length of time, creating a limited company of your own is probably the best option for you. This route will put you in charge of the Company and its assets. It also provides better financial opportunities. For a comprehensive guide on everything you need to know about setting up a limited company and information on what your responsibilities, please visit www.companieshouse.gov.uk

HOWEVER, before you rush out to set up your own Limited Company you need to be aware of the restrictions you are subject to. The money in the Company account is NOT all yours, NI and tax will still need to be paid. IR35 can affect NI and Tax. For more information go to www.inlandrevenue.gov.uk/ir35 . It is also always a good idea to seek independent advice prior to making your final decision; this should be from a legal or financial advisor.

Umbrella Company

In this situation you work through an umbrella company looked after by an accountancy firm. They will take responsibility for making regular payments to you, after deducting appropriate levels of Tax and NICs, but a monthly fee will be charged.