

parasol

with you all the way

A close-up photograph of a person's hands typing on a black computer keyboard. The person is wearing a white shirt cuff and a silver ring on their left hand. A small, brown and white spotted giraffe figurine is standing on the keyboard keys. In the background, a pair of glasses and some papers are visible on the desk. The overall lighting is soft, and the background is slightly blurred.

A beginner's guide
to contracting

Our top tips to kick-starting your contracting career

Be part of the contracting revolution

Contracting has enjoyed a huge rise in popularity in recent years – something we're extremely pleased to see.

This has largely come about thanks to UK businesses adopting a more flexible attitude to their staffing needs. Instead of hiring permanent employees, they're more likely to rely on contractors to provide short-term access to the skills they need.

What's more, the age-old concept of a 'job for life' no longer exists in today's market, meaning workers are far more likely to look for better opportunities elsewhere.

So what's so great about contracting?

Contractors are in demand across a wide range of industries. So whether you're an expert in IT, accounting, engineering or the creative sector, there's bound to be a wealth of opportunities out there.

You'll also be able to earn a higher rate of pay compared to a permanent employee, and have the opportunity to enhance your existing skills while developing new ones as you progress through your career.

Tell me more....

If all that hasn't persuaded you to take a look at contracting, here are a few more benefits:

Contracts can vary in length, from one day to a couple of years – making them ideal to fit around your WorkStyle

Contractors are responsible for negotiating their own working and pay conditions so you won't be stuck with the same pay or working hours for years on end.

You'll be able to experience different workplace cultures and work on a wide variety of assignments so you shouldn't get bored of the same mundane tasks

You can build relationships with recruitment agencies and potential clients to further your career and seek out the big paycheque

You can pick and choose your assignments, meaning you can take one that's close to fit around your family commitments, or further afield if you fancy a change of scenery



Contracting myth buster

If you've done your research, you'll probably have come across the odd myth about contracting here and there. While some aren't too serious, others could get you in trouble with HMRC if you're not careful.

Here are a few common myths:

1. Contracting is too complicated

A common myth is that contractors have to deal with a mountain of paperwork. That's not true!

By joining a compliant umbrella company, such as Parasol, you'll have the freedom to work on your assignments safe in the knowledge that your obligations are taken care of. All you'll need to do is submit your timesheets and expense claims and the umbrella will do all the rest – it's that easy!

If you decide to go down the limited company route, our sister firm ClearSky Contractor Accounting will be able to help out with some of the admin.

2. Contractors have no job security

Remember the good old days when people had a job for life? Things have moved on a fair bit since then. These days, people are much more comfortable with the idea of switching roles.

With a growing number of businesses using contractors to get the skills they need, your expertise makes you pretty indispensable right now.

3. Contractors lose out on employment benefits

Not true! If you join a compliant umbrella company, such as Parasol, you'll automatically receive all the employment rights given to permanent workers. This gives you access to benefits such as sick, holiday and maternity & paternity pay.

4. Contractors can claim for anything on expenses

As a contractor, you will be able to claim legitimate business costs and expenses – as long as they're incurred during an assignment. The types of costs and expenses that can be claimed and reimbursed are dependent on the type of assignment you're working on and whether it's subject to supervision, direction or control (SDC).



Working options explained

As a first-time contractor, there are a number of different routes for you to choose from. All have their particular pros and cons, so the best idea is to pick the option that suits your own personal circumstances. **To help, we've outlined the four most common options.**

Umbrella company

An umbrella company is usually the first port of call for new contractors, giving you the chance to dip your toes into the contracting lifestyle with minimum effort needed on your part. The umbrella will act as an intermediary between you and your client.

As an umbrella contractor, you'd be directly employed by the business. This means all your tax and National Insurance obligations will be taken care of, while you'll also receive the rights and benefits given to permanent workers.

Good choice if:

- You only plan on contracting for the short term, or want to test the water before committing yourself
- You work on a number of short-term assignments

Not so good if:

- You're a high earner, with an income over £35,000 a year
- You won't incur many costs during your assignment
- You're happy to take more control of your accounts
- Your assignments will be more than six months in length

Limited company

Another option is to set up a limited company. This is a popular choice for many contractors, thanks to the increased profitability, flexibility and tax efficiency it provides.

If you go down this route, you'll be able to pay yourself via a combination of dividends and salary – reducing your tax liability. Company and personal finances are also viewed separately, meaning you'll have limited liability for any business debts.

However, this increased profitability does come with a few additional responsibilities. You'll have to look after your own accounts, arrange insurance, and be aware of your IR35 status.

The good news is that if you do decide to take the limited option, you won't be on your own. Our sister firm, **ClearSky Contractor Accounting**, will be with you all the way – whenever you need them.

Good choice if:

- You'll be working on multiple projects
- You want to maximise your income
- You want to commit to contracting for the longer term
- You're happy to manage your own finances

Not so good if:

- You earn below £35,000 a year
- You find it difficult get your head around basic tax principles
- You'd rather pay tax as you earn, rather than as a lump sum
- You don't want any additional responsibility

Working options explained

Agency or PAYE

This option is similar to an umbrella company but with one significant difference. The recruiter will still sort out your tax and National Insurance obligations, but you won't be classed as their employee. This means you won't be able to enjoy the employment rights and benefits given to umbrella contractors, or claim legitimate business expenses.

You may also need to switch agencies if you find a new assignment – something that might not fit in with a contractor's busy WorkStyle.

Good choice if:

- You want somebody else to look after your tax and National Insurance obligations
- You won't incur additional expenses during the course of your assignment
- You're looking for temporary jobs, such as bar work

Not so good if:

- Your assignments will change frequently
- You earn in excess of £35,000
- You don't want to be tied to one recruiter

Sole trader

Although this is arguably the simplest way to get started as a contractor, it also carries the most risk.

Unlike a limited company, you'd be personally responsible for any debts run up by the business. This means your assets, like your house, could be at risk if something goes wrong.

As a sole trader, you won't need to set up a company and will instead register as self-employed with HMRC. You'll also need to complete a tax return form and pay tax on all your income.

Good choice if:

- You work for a number of clients at the same time
- You want to set up quickly, easily and cheaply
- You like the idea of being your own boss

Not so good if:

- You don't want to have to find your own assignments
- You're worried about personal liability

A word about IR35

If you've been looking at a career in contracting, you'll probably have come across the subject of IR35. It launched in April 2000 and is designed to clamp down on false self-employment.

What's it all about?

IR35 is applied on an assignment-by-assignment basis and looks at how you work with your client.

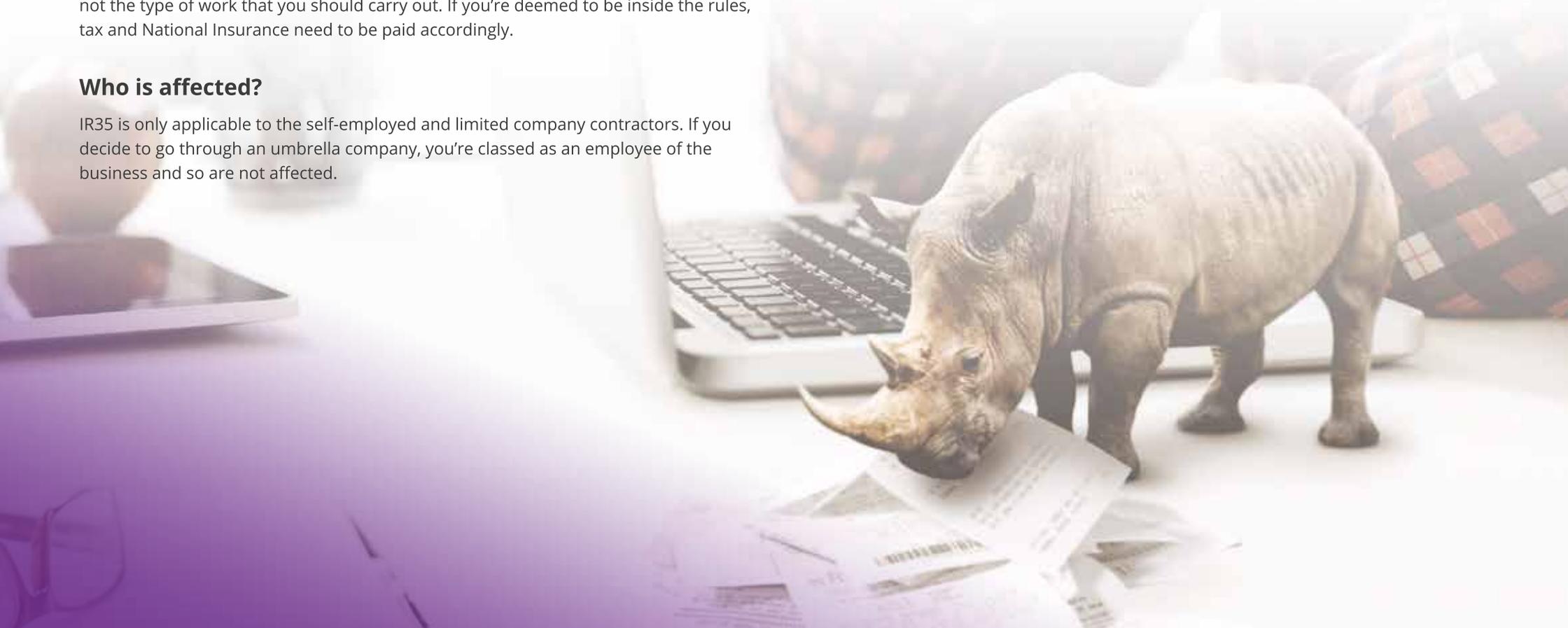
The legislation is designed to work out how assignment income should be taxed, and not the type of work that you should carry out. If you're deemed to be inside the rules, tax and National Insurance need to be paid accordingly.

Who is affected?

IR35 is only applicable to the self-employed and limited company contractors. If you decide to go through an umbrella company, you're classed as an employee of the business and so are not affected.

What can I do about it?

If you decide to follow the limited route, it's a good idea to sign up with a specialist contractor accountant. They'll help determine your IR35 status and offer proactive and professional advice every step of the way.



Finding work

As a contractor, one of the first things you'll have to master is how to source an assignment. If you operate via an umbrella or limited company, you'll have the support of a recruitment firm to help you along the way.

There are a number of additional things contractors can do to make sure they're always busy:

Create the perfect CV

The most important thing to remember when creating your CV is to keep it brief. Potential clients are likely to have to sift through a mound of applications, so keep it short and to the point.

A good CV will leave the reader in no doubt why they should hire you. Include a thorough list of your skills and expertise, along with details of past experience and achievements.

Remember that one size doesn't fit all. Tailor your CV to fit the assignment you're applying for. A good tip is to have multiple versions of your CV, each built to suit a specific role.

Get yourself noticed

As a contractor, you are your own brand. You should therefore do everything you can to sell yourself and your skills to potential clients.

Networking is a good way to do this, enabling you to connect with a wide range of people – from potential clients and peers to leading figures in your industry. Social media is another important tool and gives you the opportunity to get your message out far and wide.

Make the price right

It's essential that you do your research and set your assignment rate just right. If you price yourself too low, you might come across as less skilled than you actually are. Charging too much, on the other hand, might see you passed over for opportunities.

To avoid this, take a good look at market conditions and find out what somebody with your skills set should be charging. If you have niche and in-demand expertise, you should be able to pitch yourself at a higher rate.

Be wise and specialise

Although it's true that contractors generally earn more than their counterparts in permanent employment, you could be missing a trick if you fail to specialise in a particular area. Research suggests that those who have expertise in sought after areas can earn higher assignment rates than normal.

The most successful contractors monitor upcoming trends in their field and skill themselves up to take full advantage. This will not only ensure they get paid well, but will also guarantee them a steady stream of assignments.

Your next step

So you've done your research and decided that contracting is the right career for you. But what do you do next?

Your first task should be to make sure you have the best help and support available. It's essential that you have someone you can trust in your corner, who is with you all the way throughout your career.

If you choose the umbrella option, Parasol is the name you can trust. Since our launch in 2000, we've helped over 90,000 contractors make the leap from permanent employment. Our dedicated team is always on hand to assist you with your enquiries, leaving you free to concentrate on your assignments.

For those who take the limited route, our sister company ClearSky Contractor Accounting should be your first port of call. From incorporation assistance and help with IR35, to important deadline reminders and tax efficiency tips, ClearSky offers you the full package.

At Parasol and ClearSky, we understand what it's like to be a contractor. We fit our services around your busy WorkStyle, meaning we'll be on hand whenever needed.

Still unsure which way is best for you? Our team will provide free and impartial advice based on your own personal circumstances. We'll also offer a comprehensive calculation on how much you could expect to take home.

So what are you waiting for?

Get in touch with our dedicated best advice team today on **0800 458 0818** or email **enquiry@parasolgroup.co.uk**.

