



A Guide to Becoming a Contractor

What is a contractor?

Contractors perform a service or function for other businesses on a contract basis, without becoming their employee. The length and expectations of the contract are usually agreed in advance.

Working as a contractor can enable you to work more flexibly, and also allow you to focus on particular projects over others.

Who can be a contractor?

A contractor can be a casual worker, self-employed person, a limited company, or another legal business structure. Because you are not employed by the person you are providing work for, they do not collect PAYE on the money that you earn, so you are responsible for paying tax on this yourself.

Being a contractor does not exclude you from also being employed. You might decide to work for an employer during the day, and operate as a contractor in your spare time.

View our [resources page](#) for help about setting up as a new business.



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Becoming a contractor

As well as deciding on the right legal structure for your business there are some other essentials to contemplate. Is there a market for you? Do you know how to win business? How much should you charge?



Is there a demand for your skills?

Assess if there is an appetite for the work that you will do, and where that demand is geographically. If you are not able to provide services at a distance, then it may help that you are flexible about travel, or even relocation.

A sustainable amount of work available will mean you don't run out of steam after two contracts.



Search for and win contracts

Employment agencies can be a handy source of contract projects available, as can jobs boards and search engines, tendering websites, or local government.

Similar to the way that they might recruit staff, businesses usually already know they need to find a contractor so half the battle is already won. Now you just need to convince them that the contractor they need is you.



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Applying for contracts

Contractor application processes vary across different sectors, and even just between businesses within an industry. Some people might just want you to come in, assess the job, and supply a quote.

Other times the contract application process might be more complex with a set template of questions to answer, and a requirement to supply evidence of previous experience.

Just like applying for a regular job, have your write up and evidence ready.



Knowing your value as a contractor

Cash might not always be King if someone is looking for a very specific skillset, but it can make the difference between contract bids which are essentially similar.

If you are expensive, your price might not be seen as good value. Too cheap, and not only does your income suffer, you could be perceived as inexperienced. Research the industry rates, and the worth you can add to the contract over your competitors.

Most people decide to go contracting because of the potential to earn more money than they would if they were to remain only in employment. When setting the price for a job consider the value that you offer to customers, how in demand those skills are, and what you can realistically hope to earn after expenses are deducted. Keep in mind that any income is also subject to National Insurance and income tax deductions too, once you go past the earning threshold.



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Contracting considerations

Before you decide to become a contract there a number of things to consider which may affect your decision. Its important to be aware of these before making any potential life changing decisions.

Special requirements

Some industries might require enrolment into a governing body or registration to a scheme. For example, working as a contractor in the construction industry requires you to [register](#) for the Construction Industry Scheme (CIS), and file monthly returns through their online portal for HMRC.

Contractors and IR35

IR35 is the short version of 'Intermediaries Legislation'.

It was introduced to limit income tax avoidance by people working for a client through an intermediary, for example; a contractor who operates as a limited company. The tax rates that affect those working under IR35 rules are significant, so seeking professional help is advised. If you're not sure where to start then please [read our IR35 guide](#).



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Looking for more help on becoming a contractor?

If you have any further questions regarding contracting simply phone 020 3355 4047 or ask one of our an accountants (for free).

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