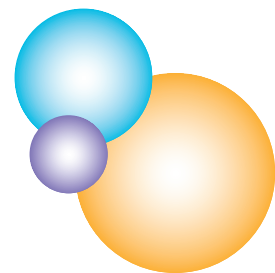


Step-by-step Guide

First Time Contracting



wellers
contractors

First Time Contracting

If you are considering Contracting for the first time it may seem a little daunting, but you really have nothing to worry about. Contracting has been growing in popularity for the last 10 years and there are now an estimated 240,000 Contractors working in the UK.

Don't think that there is that much to do – it is more of a mindset. When you are working as an employee, you are quoted a salary and then your employer has all of the obligations under PAYE to withhold the correct amount of tax and NI from your pay, leaving you with a net amount to do with what you will. You have nothing at all to do (more or less) and are protected by employment law and regulations.

When you are a Contractor, the principal difference is that you are no longer in 'the service' of your employer, but in fact you 'provide services' to a business – maybe even the same business. You agree what you are contracted to do, agree a rate for the work, and then are paid the full amount, the Gross amount, without any withholding for PAYE. This degree of independence and separation from where you work allows you to be an employee of your own Limited Company.

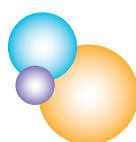
Now, that is where we at Wellers step in. Clearly the full amount is not yours, and there are certain obligations that all Contractors need to fulfil – mainly to pay the correct amount of corporation tax over to Her Majesty's Revenue & Customs (HMRC). Getting this amount correct, and of course minimising the incidence to tax, is what we do best.

There is no denying that Contractors do earn significantly more than their employee counterparts, but there also certain obligations that must be adhered to, that employees do not have to contend with.

Is It Complicated?

To become a Contractor effectively means becoming self-employed and therefore operating your own business. Whilst this may appear daunting to you, all you really need to do is become a Director of your own Limited Company which we do for you – it takes about 2 hours to both become a Director of a company as well as open a Company bank account - we are able to take care of absolutely everything.

We have broken down the life of a Contract/Contractor into eleven simple steps. These steps are managed by Wellers Contractors and cover all of your legal requirements, giving you peace of mind whilst also ensuring that you benefit from any tax advantages open to Limited Company contractors.



Step One - Appoint an accountant (Wellers Contractors)

You are likely to have 101 questions about your take home pay, dividends, expenses, profits, salary, benefits, personal allowances, tax planning. Your accountant will be able to answer them all, guiding you on the most tax efficient way to operate your Limited Company.

Wellers Contractors offers a complete fixed fee package including: completion of accounts, annual payroll, dividends, corporation tax computations, personal taxation, unlimited access to your accountant, all company returns, in fact, everything you need for a fixed monthly fee of just £99 plus VAT.

Step Two – Incorporate a Company

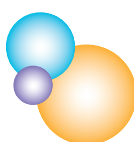
Wellers Contractors will set up your own limited company with you being the sole director and shareholder, allowing you tax advantages not available to umbrella company contractors.

We can also, if required, be the company secretary and registered office, which enables us to deal with correspondence from HM Revenue & Customs and Companies House. With Wellers Contractors you will have one of our team allocated to you to deal specifically with your company. This means that you will not deal with call centres but will have access to someone who will be available to answer queries, we will also be pro-active with regards to contacting you when you have filing requirements for the company.

Step Three - Establish your IR35 status

As soon as you find a contract and you have accepted it, try to establish whether the contract is OUTSIDE IR35 (sometimes called IR35 friendly) or in INSIDE IR35 (caught by IR35).

Even if your contract is inside IR35, in financial terms it may still be worth working through a Limited Company, as you will only pay tax on 95% of your contract (rather than 100% if your work through an Umbrella Company) and you will also still be able to benefit from the Flat Rate VAT scheme – see step five.



Step Four – Open a Bank Account

Your company is its own legal entity and so it will need its own bank account. After we form your company we can arrange an immediate appointment at our local HSBC branch and you will have an account within the hour. Wellers recommends HSBC. They offer free business banking to clients of Wellers Contractors and you only need a £1 to open an account. Of course you are entirely free to use any bank, but due to their financial reputation, high level of customer service, good interest rates and most importantly their commitment to FREE business banking HSBC are our recommended business banking partner.

Step Five – Register for VAT

Once you have formed your company it is likely to be beneficial to register for VAT. There are two different ways to operate. One is the standard way, where you claim back VAT on items that you buy through your company - and the other is the option that most contractors take, which is to sign up to the Flat Rate VAT scheme.

The Flat Rate scheme is an incentive provided by the government to help simplify taxes. It means you charge VAT on your invoices at 17.5% but only pay back 12% of the gross amount in your first year and then 13% in subsequent years.

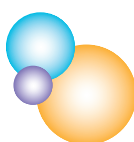
This provides the following additional income (based on a 45 week working year):

- **£200 per day contract - £1,530 extra per year**
- **£350 per day contract - £3,670 extra per year**
- **£600 per day contract - £4,590 extra per year**

It takes around six weeks to get your VAT number. During this time you continue to invoice your clients (we will give you advice about the best way for you to do this) without VAT and when you are issued with your VAT number you can simply raise VAT-only invoices.

Most contractors choose the Flat Rate Scheme as usually you will not be buying that much in the way of company related items and your company will make more money by opting for the Flat Rate Scheme which means there is more for you too.

Your dedicated Wellers Contractor accountant will apply for VAT registration for you so that you benefit from the savings explained above.



Step Six – Register for PAYE

As you will be a director of a limited company there is a requirement to register a PAYE scheme for the company.

The amount you pay yourself will be determined by your personal circumstances and what you are trying to achieve and we will help you set the level to suit you.

Many contractors pay themselves a salary around the personal allowance limit thereby avoiding the majority of PAYE payroll paperwork.

The balance will be distributed as a dividend from the company profits.

Step Seven – start your contract and raise sales invoices

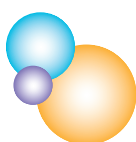
You are now ready to begin work under the contract and at the end of the first agreed period raise a sales invoice. We will help you with all of this, assisting you with your sales invoices, and recommend simple spreadsheets to record expenses and then quarterly processing all of this to ensure that your remuneration, dividend and expense strategy is legal and tax efficient.

Step Eight – Record Keeping and quarterly requirements

It is a legal requirement for directors to maintain accurate records of company business. Your dedicated Wellers Contractor accountant will deal with this on your behalf. You will need to provide basic details of income and expenses incurred, then every 3 months we will prepare your books of account. From this you will receive basic management accounts to allow us to advise you of your tax liability on an ongoing basis and allow you to plan your own remuneration accordingly.

So, to secure the increase in your take home pay that Contracting allows, all you need to do is make the effort to come and see us face to face once every 3 Months, and then we can assuredly and professionally ensure that all of your affairs are always up to date and that you are always taking advantage of the latest tax saving initiatives that are available.

From this information we will prepare the VAT returns for your company that are required to be filed quarterly with HM Revenue and Customs.



Step Nine – Annual Accounts and Tax Returns

At the end of every 12 Month period from when you start Wellers Contractors will prepare the financial accounts and corporation tax returns, as well as the personal tax return for you which are necessary as a Director of a Limited Company.

At this time we will review the company profitability and ensure that you are receiving your income in the most tax efficient manner available.

Step Ten – Personal Tax Returns

As a director of a limited company you will be required to complete a personal tax return for each UK tax year that is for the year to 5th April.

This form will include details of your salary, benefits and dividends received from the company.

We will confirm your tax liabilities and advise on how to mitigate these.

Step Eleven – Ceasing to Trade

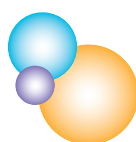
Should your circumstances change so that your own limited company is no longer required we will attend to the procedures necessary to close the file at the tax offices and to ensure that the company is correctly dissolved at Companies House.

How we Charge

Basically our fees are a fixed monthly rate of £99 + VAT (£116.32) which covers all of the basic filing requirements of the company over the course of the year.

On the day you appoint Wellers Contractors there is a payment to us of £200 + VAT (£235) which covers the first month of accounting fees at a 50% discount as well as the cost of registering the company.

You are free to cancel the monthly agreement at any time, however if you do require us to then help with the final tax returns and dissolution of the company there will be an extra charge if we have not received a minimum 6 monthly standing order payments.



Wellers Contractors Ltd are a wholly owned subsidiary of Wellers Accountants, a firm regulated by the Chartered Association of Certified Accountants (ACCA) and a legally binding Letter of Engagement is provided for all clients for their protection as well as detailed Terms & Conditions.

If any of this is guide is not clear in any way please do not hesitate to contact us. The office here is open from 9am until 7pm so please feel free to call anytime. Alternatively we can arrange a time to give you a call or make an appointment to meet and discuss your requirements.

Telephone 020 7901 1190 or contact us online at www.wellerscontractors.co.uk

