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bright purple

CONTRACTOR GUIDE



Tell Me More

Bright Purple is proud to work with a huge network of talented contractors, placing them into roles where they can add real value to our clients.

So what does it actually mean to be a contractor? What is involved? What are the pros and cons? And who is best suited for this type of work?

In this brief guide we aim to answer these questions and give you a better insight into the world of contracting; we'll cover the benefits and disadvantages, an overview of legislative issues, and advice on how to pursue this route in your career.



PROS AND CONS

Advantages:

Income:

Due to the short term nature of most projects, most employers are prepared to pay higher rates to contractors than to employees as it gives them greater flexibility over headcount. The pay can be different depending on if a contract is deemed inside or outside IR35. Read more about IR35 on our website.

Variety:

As a contractor you have the freedom to move on to new roles on a regular basis without a long notice period and without impacting on your career history as it would if you were a permanent member of staff. Depending on your skills and experience level, operating as a contractor can also allow you the flexibility to enter into different market sectors, improving your overall commercial knowledge.

Disadvantages:

Job Security:

One of the main downsides is job security, or the lack of it, when working as a contractor. As a contract is only secured for a specified timescale, there is no guarantee that another role will be available immediately afterwards so it can result in unwanted periods of inactivity and no income.

Administration:

Being responsible for all your own work-related administration is also a real downside for some contractors. From invoicing to timesheets, administration is an extra burden on top of your workload.

SETTING UP AS A CONTRACTOR

If you have decided to set up as a contractor you need to firstly look at how best to structure yourself when operating with clients in the marketplace. The two main options are setting up your own Limited Company, or working with an Umbrella Company.

Limited Company

In setting up as a limited company, contractors create their own business venture giving them complete control over their finances.

The key advantages of limited company status are:

- Potential tax savings
- It gives you complete business independence
- It is becoming easier to set up thanks to new online technology

The disadvantages of choosing this option are:

- More paperwork and potentially more stress and responsibilities
- You are responsible for submitting accounts etc. [Check out the government's list of responsibilities](#)
- You are solely responsible for all tax matters

Bright Purple has extensive experience working with talented contractors. Before opting for this route, we strongly recommend that you firstly seek professional advice from a qualified accountant to ensure that operating as a limited company is best for your circumstances.



SETTING UP AS A CONTRACTOR (CONT.)

Umbrella Companies

We are seeing a lot more contractors engaging with companies via umbrella companies due to the IR35 reform, as more roles are being deemed "inside IR35", and umbrella companies are the main way for contractors to work and be paid for these roles.

There are many umbrella companies, so we recommend doing your research. As a minimum standard we recommend looking at umbrella companies that are FCSA accredited.

See link to our Umbrella PSL - <https://saferec.co.uk/psl/brightpurple-psl>

Key benefits:

- Usually less admin as the umbrella company handles this for you
- You are covered by the umbrella company's insurance
- Some umbrella companies offers benefits
- As more roles are currently deemed inside IR35, there is likely to be more contract roles open to you

Disadvantages:

- Umbrella companies pay you the Net Pay each month, so the amounts are usually less than contractors have been used to when working outside of IR35
- There are different rules around what can be claimed as expenses



COMPLIANCE ISSUES

IR35

One of the key tax regulations you must be aware of as a contractor is IR35. The legislation was designed to tax what the Government has identified as "disguised employment" at a rate similar to employment.

There are some basic principles set out by HMRC to help decide if you are in disguised employment or not which includes:

- Do you have a right to substitute yourself for another employee of the company?
- Is there 'mutuality of obligation' within the contract?
- Does the client control what you do, how you do it, when you do it and where you work?

A company needs to provide you with an Status Determination Statement (SDS) to tell you if IR35 rules apply. For more information, check out our blog on IR35.

Insurance

The majority of contract roles at Bright Purple require limited companies to have a minimum of cover in £1m Professional Indemnity insurance, £1m Public Liability insurance, and £5m Employers' Liability insurance. We also advise all contractors to ensure they have taken independent advice about putting in place the appropriate level of insurance cover before they begin trading.



COMPLIANCE ISSUES (CONT.)

Pre-Engagement Screening

As a recruitment agency there are a number of necessary compliance checks in accordance with UK employment law & legislation, which we will make before our contractors start on site.

This includes basic identity checks through personal identification and proof of address.

We also need to ensure you have proof of your right to work within the relevant country where a role is based and would require a copy of your passport and work permit.

Some of our clients also require us to carry out reference, credit and criminal record checks on all contractors which we are recruiting on their behalf.

We also need the below LTD Company details in order to set up the contract:

- Company Registration / Certificate of Incorporation
- Registered company address
- VAT Certificate
- £1 million Professional Indemnity insurance
- £1 million Public Liability insurance
- £5 million Employers' Liability insurance

The above policies must be held for the duration of your assignment. Bright Purple have partnered with Qdos to offer support if required.

If you do not currently hold the required insurance, or are looking to arrange alternative cover, Qdos are pleased to offer Bright Purple contractors a 10% discount via code 'BRIGHTPURPLE10'.





While this guide aims to give you as much information as possible, it's always important to speak to an accountant or umbrella company for more information.

If you have any questions about any of the issues covered here or would simply like to talk to one of our team about contractor opportunities, please do not hesitate to contact us:

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