Making Right Decisions: Umbrella Company or Limited Company?

by Ed Lebbon

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Contractors go to all the trouble deciding which option is best for their business because choosing between an umbrella company and a limited company has a great impact. The process of choosing should not be difficult. Here's what any contractor should know about the two. Take a look at the aspects surrounding options that are available to contractors.

First up is the Limited company. Basically it's an entity which is entirely separate from the people who own and run it. Also, in its basic level, it is considered to be an entirely legal entity all on its own. Now what makes a limited company an attractive option for contractors? Aside from the element of limited liability, operating through this process greatly reduces risks that could be faced by directors or shareholders. Despite the workload involved in such a process being considerably higher, basic elements such as an in-depth completion of tax returns and VAT to legitimate registration of any company's name plus reconciliation of expenses, opting to create a limited company is somewhat the more suitable option.

Given that, let us proceed to the next option which would be an Umbrella Company . Umbrella Companies in a sense act out services specific to the needs of each contractor. In an essential way of putting it, these companies act the part out of being an employer to all contractors engaged in contracted tasks. The process utilized for contractor's payroll is called PAYE and aside from that process, companies such as these offset expenses incurred by the business. These expenses include accommodation and travel expenses which are of course taken against the contractor's tax.

Like employment under a direct or permanent employment relationship, companies that take on the second process are also subject to the same employment benefits and rights. These include paternity and maternity leave, sickness pay plus the full minimum wage which would of course be sponsored by contractor's chosen umbrella companies.

Those mentioned still do not include other advantages of an umbrella company. These advantages also include: reduced paperwork because tax affairs, taxation and expenses are all covered, additional opportunity in investing on training courses plus pension schemes and finally the best advantage so far includes the fact that one does not have to worry about IE35 legislative issues.

Contractors are always in need of advice regarding issues such as these and with such options discussed as easily as possible then this would easily aid in the decision process. Of course, whatever option one chooses it is best to do a thorough research through each option. Think of what you may gain or lose as a contractor. Advantages and disadvantages of each option should be carefully weighed out. Ask around for referrals or do a search on the World Wide Web.

Aside from weighing in on the pros and cons of options a contractor is to choose from, it is also best to base all decisions on the requirements one has at hand. Think of the services a contractor such as yourself is to provide and what the best ways or how your services will be served out or applied. Ask yourself, can you handle tax affairs? Is accounting or tax issues your best bet? Is the sense of reliability allied with the company an important aspect?

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unanswered.

Ed Lebbon is the owner of Access-a Umbrella Company, Access-a is an umbrella company offering the benefits of a limited company without the administration or statutory responsibilities. With our solution, you don't have to worry about IR35, the Managed Service Company or Third Party Debt Legislation - you are outside of these regulations.

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