10 terms UK IT Contractors need to know by Ashley Carron

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1. IR35 â€“ this is a law brought in by the UK Government in order to tax IT Contractors whom they deemed as â€˜disguised employeesâ€™ at the full rate of tax.

2. Contractor Umbrella Companies â€“ these companies were set up after IR35 so that contractors aught by IR35, could become effectively employees of these companies and so be able to claim limited expenses.

3. Limited Companies â€“ contractors who are genuinely â€˜in business on their own accountâ€™ and not deemed â€˜disguised employeesâ€™ can set up a Limited Company and can claim all sorts of business expenses against tax.

4. Professional Contractors Group - This group was set up in 1999 to get IR35 abolished. They fought several High Court case over it with the taxman and lost those but they also fought a ground battle on a case-by-case basis when contractors were investigated for IR35 tax by the taxman, and they won many of those battles pushing back the boundaries of IR35. It has expanded to become a lobbying group for IT Contractors.

5. Agency Workers Regulations (AWR) â€“ this legislation was set up so that workers who worked through an agency would get benefits that permanent employees get like sick pay and holidays. It was set up to help badly paid agency workers like farm workers and hotel staff but has managed to ensnare some well paid IT Contractors in its net. Roughly, if you are caught by IR35 you most likely will be caught by AWR.

6. Recruitment Consultants (or Agents) â€“ most IT Contractors get most of their contracts through Recruitment Consultants who work for agencies or recruitment companies. Agencies add a percentage onto the contractorâ€™s rate. Somewhere between 10% and 20% is the norm.

7. Job Boards â€“ Most IT Contractors find their jobs on job boards nowadays. It used to be that agencies had vast databases of contractors but now when they have a potential job or jobs they post it onto one of the job boards like Jobserve or CWJobs and wait for the replies to come in from contractors.

8. Contractor Portals â€“ as IT Contracting took off, a number of contractor portals like ITContractor sprung up to give news on tax and company issues as well as advice on how to be a successful contractor.

9. Contractor Mortgages â€“ a number of specialist companies have been set up in order to get contractors much better deals than they got previously if they just walked into a high street bank.

10. Indemnity Insurance â€“ more and more companies are insisting that IT Contractors have indemnity insurance in case the contractor makes a major mistake which costs the company a lot of money.

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Ashley Carron - About Author:
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