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5 Things a Contractor really needs to know by [Ashley Carron](#)

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There are 5 things that every contractor really needs to know:

1. The agent is not your friend – the contractor and the agency are, at best, allies who both want to make money from selling the contractor’s services to an end client. However, the agency wants to take as much as possible of what the client will pay for the contractor’s services and to leave the contractor with as little as possible. The agency bonus structure is set up to encourage that behaviour.
2. It is much more important to be working than getting a good rate – contractors like to negotiate as good a rate as they can for the work that they do. However, sometimes that can work against them. If a company is cutting back on the number of contractors that they will use later on in a project they will, very often, just cut out the most expensive ones. The contractor who is working all year round at a lower rate will make more money than the contractor on a high rate who has several breaks in a year between contracts.
3. You need to choose the tax option that suits you best – If you are caught by IR35 tax then you would be best to use a Contractor Umbrella Company where you can claim more expenses than if you simply paid IR35 tax. If you are genuinely in business on your own account, and not caught by IR35, then you should set up a limited company where you can claim even more expenses and save more on tax.
4. You should get a specialist mortgage advisor – many contractors just walk into a High Street bank to get a mortgage. What happens then is that the bank asks for 3 years worth of accounts and only uses the contractor’s Director’s salary, which is usually quite low after expenses and dividends are taken out, as a way of determining the loan amount. However, if you go to a specialist company who specialise on contractor mortgages they can get contractors an offer based on their gross income prior to expenses and dividends being removed and can get a higher offer without having to provide three years accounts.
5. There will be upturns and downturns – it won’t all be plain sailing as a contractor. There will come times when it is very difficult to get a contract and contractors could be out of work for months. They should make sure that they have funds set aside for a rainy day before they start splurging out on fancy cars and houses and holidays abroad. Many a IT Contractor has found himself or herself in trouble by not following the above guidelines. Make sure it doesn’t happen to you.

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