



Be at the top
of the class-
With Intouch
Accounting's
ABC of contracting

Top of the **CLASS**

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A Alphabet shares

A company can have different classes of shares, known as alphabet shares, which can all have different rights attached to them. For example, 100 shares could be split into 50 A shares, and 50 B shares, with both classes having the right to dividends, however the B shares only has voting rights.

Having different classes means the company has the ability to pay a dividend to only one class, should they wish to. So effectively one shareholder can be paid without paying another.

For more information on alphabet shares and how they could benefit your Limited Company, [take a look at our blog](#).

B Basic rate used up

To make the most from your dividends, make sure you have declared dividends of at least £5,000. However if your total income does not exceed the basic rate band, you may want to consider declaring a further dividend.

For more information on dividends, [take a look at our blog](#), or use our [free dividend calculator](#) to see how much tax you'll pay.

C Cessation of contracting

There are a number of different approaches you can take when closing down your Limited Company. Choosing the most suitable option for you and your circumstances, both professionally and personally, can result in potentially significant tax savings.

[Take a look at our blog](#) for advice from our Director of Operations, Laura Hepworth, to understand what you need to do and how Intouch Accounting can help.

D Dividend planning – distribution strategy

Contractors owning their own Limited Company have the advantage of being able to pay surplus profits to themselves via dividends, as well as through a salary, which gives many advantages.

Dividend planning and distribution can sometimes be confusing and many contractors find themselves wondering when they should take them and when they actually get taxed.

[Take a look at our blog](#) for complete clarity on dividends and what happens when they need to be distributed to more than one person.

E Entrepreneurs' Relief

Entrepreneurs' Relief (ER) was created to encourage people to set up and grow their own business, by providing a reduced level of Capital Gains Tax (CGT) on business disposals. It's good for Limited Company contractors who are looking to sell or give away their business whilst getting CGT relief.

For more information on ER, [take a look at our blog](#).

F Flat Rate VAT categories

The Flat Rate VAT scheme (FRS) was introduced to small businesses and differs from standard VAT, as you pay a percentage of your overall turnover, rather than paying VAT on the difference between sales and purchases. So whilst you'd charge your clients the standard 20% VAT rate, the amount you pay to the taxman could be potentially smaller. The FRS rates are different for each sector, but do you know which rate applies to yours?

[Take a look at our blog](#) to understand everything contractors need to know about FRS.

G Guides to contracting

Overwhelmed by legislation, confused by contracting or just lost when it comes to setting up your Limited Company? We have a whole host of guides, blogs and calculators, available to you for free, at the click of a button.

Simply [visit the resources section](#) of our website to find all the information you need. Got a specific question that's unique to your circumstances? [Speak to our team of expert advisers today.](#)

H HMRC planning – not avoidance

Tax planning is where you use tax reliefs for the purpose in which they were intended. Tax avoidance is where you use schemes or methods whose sole purpose is to avoid paying tax, thus resulting in a tax advantage, which have not been agreed by HMRC.

Examples of tax planning include ISAs, inheritance tax or Entrepreneurs' Relief. Whilst these examples may reduce the total amount of tax paid, they are not tax avoidance schemes as they include using relief in the ways in which Parliament intended.

To fully understand what constitutes as tax avoidance, [take a look at the advice on HMRC's website](#). Alternatively, [speak to our expert contractor accountants](#) who will be able to provide you with advice and support on all aspects of tax planning.

I IR35 – cradle to grave

IR35 is HMRC's 'test' to decipher whether a contractor is truly self-employed (outside IR35), or acting as a disguised employee (inside IR35). Should you be claiming to be self-employed but are found inside IR35, you will have to pay increased tax and National insurance, so it's important to understand the impact of IR35 and how it affects you as a contractor. After all, it's your company's profits that will be affected!

[Take a look at our ebrief](#) for all the information you'll need on IR35.

J Just in case – insurance & protection

When you provide services via your personal Limited Company it's very important to protect your assets and obtain adequate insurance. For almost all contractors and freelancers, a requirement to be insured forms part of your contract with the client. Therefore it's essential to be protected from the unexpected.

Included in our [all-inclusive monthly service](#), we provide up to £75,000 of service fee protection. Designed to protect you financially from HMRC enquiries, (which on average can cost a contractor approximately £25,000 and copious amounts of time to resolve) it's an essential that every Limited Company contractor should have.

[Read more](#) to understand why insurance should form part of your contracting toolbox. We recommend Kingsbridge Contractor Insurance to any Limited Company contractor that's looking for a complete business insurance solution. [Take a look at what they include today.](#)

K Know where you are – online & specialist

There's nothing worse than putting your trust into the hands of a contractor accountancy that provides the most basic level of service, yet charges a premium. That's why here at Intouch we provide everything a Limited Company contractor needs in order to run their business from an accountancy point of view. With the perfect mix of online accountancy software and unlimited support from your Personal Accountant, you can enjoy 24/7 real-time access to your accounts, whilst staying compliant and in complete control.

Your dedicated Personal Accountant will be your guide. Their role is to help keep you compliant and offer specialist tailored advice on how to get the best, and the most from your Limited Company.

Built in-house for contractors, our Cloud-based portal keeps all of your company information stored in one secure place, ready for you to access whenever you wish. So you can see how much profit is in your Limited Company at any one time.

[Explore everything you get for the all-inclusive monthly fee of £98 +VAT.](#)

L Letting property

Thinking about letting a property as a Limited Company contractor? Whilst it can be a fantastic way to earn an extra income, there are some factors you'll need to consider, to ensure you're making the most from the available opportunities.

Each individual contractor's circumstances can be very different, as they can depend on your personal or Limited Company long term goals. Don't go it alone – always consult with your [expert Personal Accountant](#) for tailored advice that's unique to your circumstances. Alternatively, why not [take a look at our blog](#) on letting property.

M Managed Service Company - CAUTION!

A MSC is typically a Limited Company through which you provide your services, but the crucial difference is that it is run on your behalf entirely by a service provider. You will typically be a shareholder in the company, you may also appear to be a director, but in practice all the decisions about your company are taken for you. You also have little or restricted choices of how much or when money is made available to you.

MSCs are currently under HMRC's spotlight and those using them are in danger of financially being caught out. [Download our free ebrief](#) to understand if you're affected and what you can do about it.

N National Minimum Wage

The current adult rate for National Minimum Wage (NMW) for the over 25s is £7.20 per hour. At present it only applies to those Limited Company contractors who are also the directors of the company where there is a contract of employment, and to the company's employees.

If you are one of the few contractors that has issued a contract to yourself then you should pay the NMW. It has no influence over your IR35 status and can be dismissed where there's no contract of employment.

For more information on how to pay yourself as a Limited Company contractor, [check out our blog](#).

O Office – use of home

As a contractor you have the freedom to choose wherever you work, be it at home, the client's office, a shared workspace - or even the beach! But what are your options when it comes to converting a room in your home into your own personal work space?

If you incur costs when you use your home as your office, for the duration of that time its sole purpose is business and it passes the “wholly and exclusively test” you are able to claim expenses. But there's more to consider than just expenses. [Check out our blogs on using your home as an office.](#)

P Pension payments

As a Limited Company contractor you may pay into a pension in order to lower your overall tax liability, but are you aware of how the payment is made, who the contract is between and the implications this can have on how the tax relief is obtained? Is your pension being treated correctly?

[Our blog](#) covers everything you'll need to know, from paying net or gross, as an employer or an employee.

Q Quality of income – no voids

As all contractors know, having a steady stream of contracting jobs is essential to keep the flow of money coming in. The length of individual contracts can vary widely and there can be opportunities for extensions, so in some cases a contractor could be with the same client for quite a while. Nonetheless at some point the contract will end and a new contracting role will need to be found.

If you're keen to work constantly, with back-to-back contracts throughout the year, there are a number of things you can do to ensure that you're aware of opportunities and are able to match your availability to any roles as they come up. [Take a look at our blog](#) for top tips on keeping your contracts and cash flow coming in.

R Review working practices

IR35 can be a complicated piece of tax legislation which rarely gives a clear 'inside' or 'outside' answer, without diving a little deeper. If HMRC decide to investigate your status, they'll request to see copies of your contracts and any evidence / information you have which supports your status. It is therefore imperative that you are able to show the steps you've taken in order to decide whether you're in or out and how you've maintained this status throughout your contract.

Reviewing your working practices throughout a contract can help to maintain your status, should HMRC come knocking.

With Intouch's [all-inclusive monthly service](#), unlimited IR35 contract risk assessments come as standard, so you can contract worry-free, knowing that your working practices have been assessed. Should HMRC decide to investigate you, we also include [fee protection service](#) up to the value of £75,000. A must-have for any serious Limited Company contractor.

S Supervision, Direction or Control

What is Supervision, Direction or Control (SDC)? It's a good question and one that every contractor should be aware of!

HMRC uses facts relating to SDC to assess whether an individual is free to do their work as and when they choose, without supervision, direction or control of the hirer and is thereby working through a company legitimately and correctly taxed as an independent worker.

Essentially, the idea is to provide a framework with which to differentiate a truly self-employed individual or Personal Service Company (PSC) from a disguised employee. SDC can be a complicated subject, but one you should be familiar with (especially if you contract under an Umbrella company).

[Download our free ebrief:](#) Supervision, Direction or Control to understand the effects it could have on your contracting career.

T Take home pay

Your take home pay is one of the main reasons you became (or are considering becoming) a Limited Company contractor, so you'll want to ensure you're taking home what's rightfully yours. One of the ways you can do this is by claiming for legitimate business costs and expenses, which are only available to Limited Company contractors.

For an instant estimate on how much you could expect to take home as a Limited Company contractor, use our free [take home pay calculator](#) now. Alternatively if you'd like to discuss your personal circumstances with one of our expert advisers, [get in touch today](#).

U Umbrella company – when & why not?

When you start contracting, it's important to understand the different trading models available and which will suit your circumstances and future contracting aspirations best. One of those models is an Umbrella, which effectively creates an overarching contract of employment between yourself and the agency. Whilst for those new to contracting using an Umbrella company can be the best model, if you're serious about a career in contracting and want to maximise your take home pay, then it's time to explore going Limited.

Our ebrief **Limited Company, Umbrella or Sole Trader: which is the best for you?** gives you a fantastic overview of the available options and helps you decide which is the right one for you. [Download it for free today](#).

V Valid expenses – peace of mind

As a contractor, are you aware of the expenses you can legitimately claim? Contracting through your own Limited Company allows you to claim reasonable expenses.

A company can claim from a long list of expenses, but generally they must be “wholly, exclusively and necessarily for the purposes of the trade” in order to be allowable and you must have actually incurred the expense. Any expenses that have a personal benefit or can be seen to have dual purpose will often result in a Benefit in Kind charge.

The world of expenses can sometimes be a confusing place, that’s why it’s always advised to have the [unlimited support](#) from an expert contractor accountant. [Download our free ebrief: Claiming expenses – preparing for the future](#) to find out more about claiming legitimate expenses.

W Warchest – save or spend?

Most Limited Company contractors or freelancers build up a warchest, to ensure they are covered financially for a break in contracting. Having provisions for such an occurrence makes perfect business sense, but what happens when your warchest is a rather substantial size? Should you spend or save?

[Take a look at our blog](#) to understand your options and how either option can affect you.

X X factor skills – premium skills

Whether you're contracting or freelancing, it's important to ensure you get the best deal for your work. Whether you're new to the game and are unsure of how much you should charge, or maybe you've been playing a while and are considering increasing your fees. It's important to charge a fee that's in-line with the industry standard and the level of skills you possess. Charge too little and you may look amateur, but charge too much and you'll price yourself out of the game.

We've devised seven skills to help negotiate the best rate for your skills with IPSE - The Association of Independent Professionals and the Self Employed. [Take a look today and start earning your worth.](#)

Y YOLO – take the leap into contracting

Starting up as a contractor is an exciting, but often daunting time. Where do you start, what's involved and how do you even know if contracting is for you? It's important you're able to answer these questions from the outset, so that you're fully prepared for a career in contracting.

You only live once, so if contracting is something you're considering then you owe it to yourself to explore the available options. [Take a look at our blog](#) that advises you on how to turn your passions into profit and [our ebrief](#) that gives a beginners guide to Limited Company contracting.

Z Zero to lose! – Join Intouch Accounting today

With free company incorporation, no leaving fees, 25% off switcher fees, an [all-inclusive service](#) with no hidden extras and your own Personal Accountant, there's no reason not to join Intouch Accounting!

[Contact us today](#) to find out more about our all-inclusive service and to request your free expert consultation.