

Contractor Doctor: Can I still qualify for benefits after a short-term contract?

Dear Contractor Doctor,

I'm temporarily (I hope!) unemployed, looking for full-time work and currently claiming Jobseekers Allowance (JSA), but a fantastic temporary contract lasting only three weeks on-site with the client has come up and will pay really well.

I don't have a limited company, and although I could sign up with an umbrella company, when the contract ends, technically I'd still be employed by the umbrella, so would have to resign and make myself unemployed, which could impact on my benefits. The Job Centre staff are unfamiliar with how contracting works and can't advise me.

Is there a way that I can take advantage of this short-term contract and still qualify for benefits when the contract ends?

Thanks

Sam

Contractor Doctor says:

"Signing up with a [contractor umbrella company](#) as a permanent employee is not the best, and certainly is not the only, option in this situation," explains James Doyle, Commercial Director of employment benefits company [Tarpon](#). "In addition to the convenience, one reason contractors become employees of umbrella companies is the tax relief advantages of [claiming travel and subsistence](#)."

"In this case," continues Doyle, "because the contractor's potential contract and therefore whole employment is pretty certain to be a single opportunity with one client on the same site, the travel and subsistence allowances will not apply anyway, so there is no financial benefit to be gained from becoming an employee of the umbrella company."

And, as the contractor has correctly identified, employment officers in a Jobcentre Plus would take a dim view of a worker who, however artificially, has made themselves unemployed, so certain benefits would almost certainly be refused.

Fixed term contract

"The best option is for the contractor to approach an umbrella company and ask them for a fixed-term contract for three weeks only," says Doyle. "Because the contractor won't be claiming any expenses, the umbrella company will simply be processing PAYE payroll and producing a final P45, so the contractor should ask for a deal on the fees over the three-week period."

Doyle says it is important at that stage for the contractor to take the fixed-term contract back to the [Jobcentre Plus](#) staff and explain the situation openly and honestly. "They might not get how contracting works, but they will understand a fixed-term contract," he says. "So, if the contractor shows them clear evidence that the contract is only for three weeks, the Jobcentre Plus staff should be able to ensure the impact on benefits, and the time-lag for those benefits to kick back in, is minimised. There is an application called a "Rapid Reclaim" form which should be available to the contractor - these are usually processed within 5 working days by Jobcentre Plus."

On a cautionary note, Doyle warns that many umbrella companies might not understand the fixed-term contract concept: "Shop around and find someone who will do a deal on payroll, temporary employment contract and final P45, and will be prepared to act fast. " If this fails", he says, "the contractor could try a regular recruitment or staffing agency, but the downside is that, unless the contractor can negotiate a good rate, the agency's mark-up is likely to be much higher than the cost of umbrella company fees"

“ The best option is for the contractor to approach an umbrella company and ask them for a fixed-term contract for three weeks only ”

James Doyle

Just like temping at Christmas

"In effect," he says, "the contractor is in the same scenario as an unemployed retail assistant getting a three-week temp' job over Christmas and then going back on to benefits. It might be helpful for the contractor to communicate their position to Jobcentre Plus staff using this example."

Good Luck with your (short-term!) contracting.

Contractor Doctor

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