

Contractor doctor: what is my tax situation if I contract for a US company?

Dear Contractor Doctor,

I have been asked to work as a self-employed contractor for a US company. This would be a contract for a given number of hours, providing help desk services out of the UK.

How is this likely to affect me tax wise and what questions should I be asking to make sure that I get a good deal?

Thanks,

Alison Bucknell

Contractor Doctor says:

Working as a self-employed contractor for a US-based company doesn't ring too many changes for you. You have all the same rights that you would have with a UK-based company, and you have to pay the same taxes right here at home, as both [HM Revenue and Customs](#), and the [Department of Work and Pensions](#) confirmed.

So your PAYE and National Insurance contributions would not change as a self-employed contractor. Nor would you lose any of the usual employment rights that you enjoy as someone who works in the UK.

What may, on the other hand, prove difficult, is explaining all this to the American company. Although one should not generalise, Americans often do not realise that different countries have different systems from their own. To get the best possible deal, be very patient, explain that there are different rules here and that you have to obey them. Help them to understand that there are no other options.

You may need to explain about best means of payment as well. This writer had an American client recently offer to send cheques in dollars as payment. A UK bank will typically take a large percentage of the cheque, right at the start, and then it will take about six weeks to clear it! So you will need to explain to the US company that they will have to find a way to send you bank transfers. These cost money, so you'll have to get them to agree to finance them as part of your deal. PayPal and Moneybookers offer lower-cost alternatives, but many companies can't use them in their accounting departments.

You will also have to explain about bank holidays and that sort of thing: best to come to it in advance or you will get calls demanding that you work when you don't expect them!

Good luck with your contracting!

Contractor Doctor

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