

Legal issues for contractors: an introduction

As a contractor, you will be confronted with contracts to sign for each job you accept. Understanding these contracts, and the law that governs them, will be a most useful skill as you will be able to get a better deal for yourself and to negotiate skilfully when issues with agencies and clients arise if you do.

The contracts that you are given may seem complex, but if you understand the principles used in drafting them, you will find that you can grasp exactly what is being asked of you. The law uses complex language, but British law is based on very clear, common-sense principles that can easily be learned.

We will look at every phase of a contractors career from a legal standpoint

Starting Out: Leaving Permanent Employment

You take the first step in contracting when you give notice to your permanent employer. You will have to do this before starting out, because agents and clients need for you to be available on short notice when they consider you for a job. If your employment contract imposes a long notice period--many require three months or more--if you decide to leave early, you should be aware of the [legal issues regarding notice periods](#). The best way to overcome this hurdle is to negotiate: read our article to know your rights.

Signing a Contract

Contractors are advised not to start a contract unless a signed contract is in place, and should take great care with any [verbal agreements](#). [Contracts can fall through](#), even after an interview and verbal offer, and unless the paperwork is signed contractors have no effective legal recourse.

What do you need to know about your first contract? There are a whole host of [contractual issues to consider when signing it](#), especially when you are starting out. If you agree to an [ongoing contract](#), you should be aware of what you have to do if you change your mind. In this case care should be taken to ensure [IR35 compliance](#). IR35 is one of the main concerns. IR35 is a piece of tax legislation that treats some contractors as 'disguised employees' and as a result they pay significantly more tax. The [financial impact of IR35 on contractors](#) is huge, and net pay reduces by more than 20% (£863 per month for a contractor on £40 per hour).

Being caught by IR35 results in your being treated as an employee for tax purposes, but this does not necessarily mean that legally you have any employment rights. Attempting to [claim employment rights as a contractor is a huge can of worms](#).

In fact, when you become a contractor, you should accept that you no longer have the rights and privileges of an employee: having the rights and privileges of a contractor is considerably better, anyway! Contractors can, however, choose to opt-in or opt-out of the [Conduct of Employment Regulations](#), and whilst there are benefits of opting in - like being able to work directly for the client after the contract finishes - the vast majority of agents will steer clear of contractors who wish to do so.

Staying on and Renewing Contracts

Often clients ask contractors to stay on after the end of their contract. There are many [legal issues to consider when renewing contracts](#), and the main thing to be aware of is that you are not obliged to stay, and you are within your rights to completely renegotiate your terms.

Disputes

Disputes sometimes arise during contracts, as they will in all human affairs. Probably the client expects more than the contract calls for, or you see the requirements differently than the client does. Again knowing your rights is the best way to base your negotiating position. Often such disputes range from [disputes about working hours](#), being asked to deliver more than you agree to (e.g. [train the clients staff](#)). Legally the client/agency cannot make [changes to the contract conditions during a contract](#), and agents certainly [cannot change your rate of pay mid contract](#). Sometimes things might get so bad that you wish to [cut the agent out](#) of the deal - this is possible, but you must be careful. There are a whole host of [legal issues when working with agents](#), and you should be aware of them.

Get Paid On Time

We all like to be paid on time. No one wants to wait for money that they are expecting. Fortunately as a small business there is solid legal recourse [when contractors suffer late payment](#).

Finishing and Contract Termination

Not all contracts are enjoyable, and you may well be disappointed in an assignment. You may be able to terminate the contract by

[exercising the termination clause](#). Alternatively the client might wish you to finish earlier, in which case the [client can terminate the contractor](#), and you need to be aware of your rights when this happens - for starters, they must adhere to the notice clause and cannot kick you off site unless you breached the contract.

If you do leave the client then it is likely that there is a [restrictive covenant](#) in your contract, which means you cannot work directly for the client, and perhaps even in the same geographic area, again for a given period. You should know your rights with respect to this restriction.

Armed with this basic understanding of how contract law governs your work, you should be entirely able to hold your own when negotiating with agents and clients. The legal position is not necessarily the same as a business position, and you may have good reasons for not enforcing your rights which involve building a reputation and a good name in business. But at least, after this, you know where the bottom line is.

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