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your expert guide to contracting

Contractor doctor: do I need a ltd company or umbrella before looking for a contract?

Dear Contractor Doctor,

I've finally decided to take the plunge and leave permanent employment for contracting. Just handing in my notice has been a huge relief!

There's one thing I'm unsure about: Do I need to get a limited company set up before I start looking for a contract?

Thanks

A reader from London

Contractor Doctor says:

Firstly, well done on finally making the jump. You are unlikely to regret it. Contracting can be very enjoyable and financially rewarding.

You don't need to rush and decide on a payment structure early. In fact you should NOT makes this decision before you have secured your first contract and negotiated the terms and conditions.

The optimum payment structure to use will depend on your IR35 status. If you are inside (caught) by IR35 then a Limited Company option would not be the best solution. In that instance you should choose a PAYE umbrella company.

If you are outside of IR35 then a Limited Company option or an Umbrella solution that pays Salary and Dividends.

You will need to have your payment structure sorted out by the end of the first week of contracting so that the agency can pay you on production of your timesheet and invoice. Until then there is no hurry or legal requirement to start.

Good luck with your contracting.

Contractor Doctor

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