

Working with foreign and offshore companies

Introduction

As a contractor, you might need to sub contract work to a foreign company, or provide contract services to a client not in the UK.

There are three aspects to consider:

VAT

Contracts abroad

Engaging foreign workers

VAT Matters

If you work in the UK and supply your contracting services for a client in an EU country then you are not required to charge VAT.

If the customer is outside of the EU you also do not need to charge VAT. However, it is important to display the foreign customers address on invoices to indicate that the services were "exported".

If you have a customer that requires you to invoice in a currency other than sterling, and VAT is chargeable, it is necessary for you to convert each transaction into sterling, at rates provided by Customs and Excise on their [website](#).

Contracts Abroad

If you work abroad you will need to decide whether to:

use your own UK company,

get an umbrella solution operating from the UK, or

set up a local/foreign company arrangement.

The choice you make will depend largely on the length of the contract and the country you visit.

Broadly speaking, if you are working in an EU country for a period of up to six months, the simplest thing to do is use either your own limited company or an umbrella company. The choice in these circumstances need not be influenced by the short term contract abroad but simply your own preferences

If you are working outside the EU, then you will need to find out any requirements of the local authorities. For example, in Switzerland you will only be allowed to work through a Swiss registered company.

If the contract is for a period of more than six months, then you may face the possibility of exposure to local taxes and social security charges in addition to any UK liabilities you might incur. Double taxation treaties may exist to mitigate any double charges and you will need to take professional advice for your specific circumstances.

For contracts greater than six months, a specialist umbrella company either within the UK or locally, should be able to avoid these problems, since in the case of a UK umbrella, you would be working as their employee in a company that is unquestionably resident in the UK, so will not be liable to foreign taxes.

There may however be a personal tax/social security charge liability locally, regardless of the company structure used.

Engaging foreign company sub contractors

You may occasionally find it appropriate to outsource some of your consultancy work to a foreign company. For example, a contractor working in India may provide some consultancy services for your company based in the UK.



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David Colom qualified as a Chartered Accountant in the City of London in 1981 and is the founder and principal of D J Colom & Co Chartered Accountants established in 1989.

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In these circumstances, the foreign sub contractor can be paid without any deduction of tax, if you are satisfied that they are genuinely working abroad.

If the sub contractor is registered in the EU, you will not need to pay VAT, although they may ask you for your VAT number to put on their invoice if they are supplying you with goods rather than services.

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