

## What is contracting in the UK? What do UK and expat contractors do?

Contractors have always been part of the UK workforce, but only since the 1980s and the massive take-up of IT in the business world have contractors been so high profile. The UK has provided an environment encouraging independent businesspeople to flourish for centuries, and it is only in recent decades that many of these independent businesspeople have been given the label of 'contractor'.

In fact, most UK businesses and foreign companies that operate in the UK have come to recognise what a strength and asset the contractor workforce can be, allowing organisations of all kinds and sizes a level of flexibility not available in many other developed economies. The very best talent, and the latest skills, can be bought by organisations on an 'as they need it' basis.

Expat workers with the right skills who are not UK or EU citizens, and who have a [visa](#), such as a [Tier 2 \(General\)](#) skilled worker visa or via the Commonwealth UK ancestry route, that provides them with the [right to live and work in the UK](#), can reap great rewards working as a contractor on a UK-based contract.

One of the best in-depth guides a potential contractor can get, in addition to the contents of this website, is a book called the [Contractors' Handbook](#). This easy-to-read, essential handbook combines practical how-to advice with in-depth guidance about every issue a contractor is likely to face.

### Transferable skills

A UK contractor is someone who has skills that are easily transferred from one workplace to another. Good examples of these types of skills include:

#### Information Technology, or IT

Engineering, science and technical

Construction, trade and artisan

Creative, including advertising, media and the arts

Business, such as marketing, accountancy, HR, law and finance

Medical, including doctors, nurses and medical technology specialists, like radiographers.

There are a great many other skills that contractors have that enable them to work in UK contracting roles, but those listed above are probably the most common. Contractors are also often referred to as 'knowledge workers', because they are selling their expert knowledge.

### Not employees, but 'contractors'

An important point to understand, especially from a taxation point of view, is that UK contractors are not employees who are employed by their end-user client. They have a contract for a specified time period, have a specific project to work on, plus agreed rates of pay. The contract is between the client, or more often a recruitment agency acting on behalf of the client, and the contractor's own trading vehicle, usually either a [limited company](#) or what is known as an [umbrella company](#).

That's why this type of worker is called a 'contractor' and being a contractor is fundamentally different to being an employee. Contractors are also different to consultants, freelancers, agency workers and temporary staff, or temps.

### Consultants, freelancers, agency workers and temps

Consultants typically have several clients at the same time, and spend a couple of days a week or month with each one. They advise their clients on how to do something, rather than doing it themselves. They are normally highly skilled experts in a particular area, and are valued for this expertise.

Frequently they have a retainer, which pays them a monthly fee to be available, on call, when the client needs them. But this is often the closest they may have to a [formal contractual arrangement](#), although they tend to [deal direct with the client](#) rather than [through an agency](#). Day rates are generally high, £500 and over. Consultants sometimes work on the client's site, and sometimes not. They are not contractors.

Freelancers tend to be associated with the creative and media sectors, but not exclusively. Freelance writers, artists, editors, photographers and many other workers are common. Freelancers have numerous clients and tend to do many small pieces of work for each, such as writing an article or undertaking a day's photo shoot.

They frequently have no formal agreement or contract, and have a direct relationship with their clients. Pay varies hugely, and can be based on an hourly or day rate, or on a number of words or articles, or per illustration. Freelancers can work at home or at their own business premises, or at their client's. They are

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not contractors.

Agency workers and temporary workers, usually known as temps, are commonly found in the lower paid, but not necessarily lower skilled end of the workforce. An agency worker could be a highly skilled receptionist, nurse or a teacher, or a low skilled labourer or cleaner.

They are recruited and paid by an agency, work at the client's site and are generally told what to do by the client. They might work for a day or for years. Pay can be high for some agency roles, but most agency workers and temps tend to be in low-paid roles. They are not contractors.

### **So, what is a contractor?**

Contractors, on the other hand, are specifically recruited to achieve a specific objective or complete a particular defined task for their client. They achieve it using their own skill set, knowledge and experience and then move on to the next client and the next project.

Their pay can be very high, they typically **work for their client via an agency**, but sometimes direct, and they nearly always have a formal written contract that specifies what they are there to do for the client, how long it should take and how much they are paid.

Highly skilled workers from outside the UK and who have the kind of skill that can be applied in this way have the potential, if they have the right to work and live in the UK, to earn good money and enjoy a very comfortable lifestyle as a contractor.

To explore your possible earnings and the tax implications of working as a contractor in the UK, see our [contractor calculators](#).

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