

Working as a Personal Service Company

By using this method of contracting, essentially you will be running your own business. You will be a company director, have ultimate responsibility for the company bank account, and the management of the internal affairs of the company. This vehicle can provide an individual embarking on contract work with a number of advantages including;

- This is the most tax efficient way of working and will allow you to optimise the income generated during each of your assignments. You must ensure that your contract is not caught by IR35 legislation;
- You have complete control of your financial affairs and company matters;
- You are running your own business so you can undertake other work outside of your normal contract role;
- You can legitimately claim a wider range of expenses (training, equipment, software, etc);
- You have contractor status, as you will be seen to be “representing” the company and “running a business” with its own trading name.

The advantages of contracting through a personal service company are extremely attractive. Be aware however that there are disadvantages! The managed service company legislation introduced in April 2007 has made this method of working not without its complications. If you seek assistance with day to day chores (invoicing, payroll, book-keeping, and so on), the supplier of these services may at some point in the future be deemed to be a Managed Service Provider. This could potentially result in an additional tax liability being incurred.

It is important to remember that as you have complete control over the running of the company you take ultimate responsibility for ensuring compliance with all company and statutory requirements, and for maintenance of the company accounts. It is essential that before forming a personal service company you are prepared for this level of responsibility and are aware of the steps you need to take to be compliant. Points to remember;

- There are various deadlines which if missed could result in a penalty;
- You are responsible for day to day issues including invoicing, keeping a simple accounting system and ensuring all forms, returns and accounts are filed by the due dates;
- Should you decide to cease trading, there will be a cost involved for liquidating your company.

BCL Legal is happy to work with contractors who work as a personal service company. Please refer to your registration documentation that stipulates the documentation we require from you before placement.

The logo for BCL Legal, featuring the letters 'BCL' in a bold, dark red font, followed by the word 'Legal' in a grey, sans-serif font. A small square icon is positioned to the left of the 'BCL' text.