Advice and Recommendation Letter

Date: 04 February 2009

Prepared for: A Contractor

RACS Group tries to assist all types of individuals, irrespective of contracting experience and knowledge levels. Based on the information you have provided us with, we have made the following recommendations. Each item has been assessed in isolation with an overall recommendation given at the end of this letter.

Areas covered - Reasons & Recommendations

1 **Construction Industry** - you were asked whether or not your profession required formal registration. Your response confirmed that CIS registration is not required in order to work in the UK.

Recommendation

As you do not require CIS registration you are entitled to apply for all standard products available to you. These can include Own Limited, Umbrella or PAYE.

2 **Daily Rate** - You have indicated that your daily rate is £125.00 Lower daily rates can almost certainly influence individuals payroll decisions. Likewise, higher rates can preclude certain other options. Your earnings band suggests a rate more than £100.00, but less than £300.00 per day.

Recommendation

Earnings over £100.00 per day could lead to a recommendation for both Umbrella and own Limited Company. Because they are less than £300.00 per day Umbrella may be the immediate suggestion. Please be advised that the number of days worked per week can alter recommendations.

3 **IR35** - Legislation is extremely important for all UK contractors. Your working practices should be considered carefully before any contract engagement. If you are in any doubt, please contact an independent specialist. You have suggested that when working on your contract you will be IR35 compliant.

Recommendation

Being IR35 compliant will allow you to claim a salary and dividend through your own limited company. It does not preclude other products, but it is likely an own limited company product is more appropriate.

4 **Expenses** - determine the overall practicality of certain products. E.g. Standard PAYE payroll does not allow individuals to claim expenses. Other products only work because of the ability to 'off-set' expenses. You have indicated that you are likely to incur weekly expenses of around £75.00 Your business expenses are genuinely incurred and can specifically amount to more than £30.00 but less than £100.00 per week.

Recommendation

If you genuinely incur considerable business expenses then an Umbrella company would be a considered option. Own limited company option would also be available to you. PAYE would not be of benefit.

5 **Contract Length** - This is a clear indicator of contracting status, more specifically if your contract is either too long or too short. Rough guidelines set out by HMRC would indicate certain parameters to ensure compliance in this area. Written contracts are useful, but do not always prove the length of the job undertaken. You have told us that your contract is 24.00 months long. This would fall into HMRC's defined category of a contract length longer than 3 months but less than 24 months.

Recommendation

This would constitute an ideal contracting period and all payroll options are available to you. Please ensure that extensions are reviewed carefully. Too long in a contract may constitute employment and could incur penalties.

Recommendations (continued)

6 **Client numbers (2 years)** - HMRC gauge a contractors status on many factors including the number of end user clients engaged during a specific period (usually around 24 months). Typically if you can demonstrate a varying number of clients during this period the more likely you are to be classed as a true contractor in the eyes of HMRC. You have mentioned that you are likely to engage various different clients in a 24 month period.

Recommendation

Many short term contracts reinforce a contractors true legal status. IR35 has to be considered as well, however most payroll options are advisable here; Own Limited or Umbrella are more appropriate in these circumstances.

7 **Attitude to Risk** - As with most things in life, recommendations and 'mind-sets' are focused depending on an individuals attitude to risk. Those wanting guaranteed returns are less likely to make or lose as much as one who is prepared to take a risk. Payroll options are very similar, certain products offer greater returns with added responsibility and effort. You are prepared to accept some calculated risk.

Recommendation

Allowing an elemet of risk would open you to all payroll options including Own Limited, Umbrella or PAYE. However the Umbrella model would be adviseable in most circumstances where minimal risk is chosen.

8 **Paperwork** - many payroll options involve a degree of paperwork at outset, however, some products require you to complete weekly returns and even monthly / annual returns to various government departments. Failure to complete some of these returns can lead to financial penalties and additional interest being charged. You have suggested that you are good at completing paperwork.

Recommendation

Stating you are good a paperwork would suggest that running your own limited company would be a viable option for you. This does not exclude the Umbrella option where regular additional paperwork is required.

9 **Execution Only** - Contractors come to us knowing exactly what they require and are not prepared to accept alterative recommendations. In such cases we try to complete a recommendation letter where possible. After being asked the question you replied execution only not chosen.

Outcome

As you have not decided upon your own route at out set, it is recommended that you consider all the above options with the overall recommendation(s) made from our points scoring system below.

10 **Overall Recommendation** - Based on a point scoring system surrounding the answers you have given we have made an overall recommendation or recommendations outlining suggested routes you should consider. Our recommendation scoring system is defined as follows and as such some scores will overlap differing products to give one or more variation(s) or none if an execution only option has been selected. CIS schemes have also been considered.

0 - 30	**PAYE Option**
20 - 60	**Umbrella Option**
40 - 80	**Own Limited Option**

Your overall score was calculated to be **48** Our recommendation is listed below:

You have NOT insisted on an 'Execution Only' product and will be guided by recommendation.
You DID NOT need to be CIS registered with HMRC.
Your score indicates either being a director of your own limited company or part of an Umbrella company.
Both products have distinct advantages and responsibilities for contractors and RACS can always assist you.

All information contained in this letter is based on answers you have given a representative of RACS Group. RACS Group cannot be held responsible for any changes in personal circumstances and recommends that you seek independent professional advice regarding contracts, IR35 and taxation law where appropriate.

NOTES & FURTHER ASSISTANCE

RACS Group promotes a 'duty of care' towards all its contractors. As such, we feel independent specialists should be engaged for specific areas of expertise thus giving an overall rounded recommendation for your contract.

To help you we have drawn up a list of independent professional advisers who work within the contacting sector to offer you a range of bespoke services, tailored to your own circumstances. These providers are:

The Professional Contractors Group - PCG was formed in May 1999 to provide independent contractors and consultants with a representative voice in opposition to the original IR35 proposals. Since then, we have evolved from being a single-issue campaign group to being a fully fledged, not-for-profit professional body representing knowledge workers who choose to be self-employed.
Web: www.pcg.org.uk

Bauer & Cottrell is a UK specialist dealing in all aspects of employment status and IR35 for tax and NIC purposes. We are the leading providers of IR35 contract reviews with the most comprehensive review service available. We are pleased to offer you this new service looking after all your IR35 contract reviews throughout the year at preferential rates.
Web: www.bauerandcottrell.co.uk.

Abbey Tax - is designed to complement your own resources, these services help to ensure you provide the maximum level of support to your end-clients. At your request we can take an active involvement in problem cases, for example representation at VAT and Duties Tribunals, or at Revenue Commissioners' Hearings.
Our many services include: Tax consultancy and bespoke advisory services.
Web: www.abbeytax.co.uk

HMRC - the definitive resource for all UK legislation, compliance and best practices for contractors. Containing a huge knowledge bank of policies, procedures and official forms. Always worth referring to in the first instance and best of all its usually FREE!
Web: www.hmrc.gov.uk

AEMC - a membership list of audited and certified employment umbrella companies a strict code of conduct underscoring the highest professional standards, with fully transparent rules and processes a true level playing field, eliminating confusion concerning expense allowances and dispensations a built in compliance support system to help identify and eradicate inappropriate activity and resolve complaints.
Umbrella Supermarket
Web: www.a-emc.com

Professional Passport - By working closely with all elements of the marketplace; Agencies, End Clients and Providers of Services to Contractors; we believe significant benefits result. Our support services cover aspects such as: Guidance on navigating your way through the reams of legislation that now applies to the sector; helping you remain compliant in this fast changing world. A range of Specialist Products designed specifically with the Contractor in mind. Access to Approved Providers that have passed our "audit standards".
Web: www.professionalpassport.com

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Personal Illustration
working through your PSC

Prepared for	Personal Details	
A Contractor	Tax Code	*603L/1*
	DAILY Rate	*£125.00*
	No. Days Per Week	*5.00*
	Weekly Expenses	*£121.69*
	Date	*04 February 2009*

PAYE Illustration

Weekly Gross Pay *Daily Rate x No Days*	**£625.00**
Accrued Holiday Pay @ 10.17%	**£63.56**
Taxable Salary *Gross Pay - Holiday Held*	**£561.44**
Deductions	
PAYE TAX	**£89.08**
Employee National Insurance	**£50.21**
Employers National Insurance	**£58.42**
HOLIDAY PAY BANKED	**£63.56**
NET TAKE HOME PAY	**£422.15**

Gross Holiday Pay is held & accrued on account until requested

PSC Illustration

Weekly Gross Pay	**£171.90**
PAYE TAX	**£11.17**
Employee National Insurance	**£7.36**
Company Profit	**£284.72**
Expenses	**£121.69**
Employers NIC	**£8.56**
Processing Fee	**£25.00**
Dividend Distribution Fee	**£3.50**
Insurance Fee	**£5.00**
Corporation Tax *(Annual Rate at) 21%*	**£59.79**
VAT on Fees	**£4.63**
NET TAKE HOME PAY	**£499.99**

Total Weekly Saving with your PSC	**£77.84**	
Total Annual Saving with your PSC	**£4,047.63**	
Annual Holiday Pay Banked with us	**£3,305.25**	**Gross**

Holiday Pay is subject to PAYE Tax and National Insurance Payments *Assuming you work 52 weeks per year*

Thank you for your recent enquiry to RACS PSC. If you are unsure about any aspect of this illustration please call us on: 0845 604 0571 - we will be happy to assist.

Please note that this illustration is based you opting for National Minimum Wage and Dividend (based on company profit) calculated on a standard 603L/1 tax code (2008/09) and must be considered as a guide only

personal circumstances may effect these figures - RACS PSC cannot be held responsible any misguidance

racs Collective

Personal Illustration

working thorough RACS Collective

Agency Pays Uplift of 12.8%

Prepared for	Personal Details	
A Contractor	Tax Code	*603L/1*
	DAILY Rate	*£125.00*
	No. Days Per Week	*5*
	Weekly Expenses	*£118.75*
	Date	*04 February 2009*

PAYE Illustration		Collective Illustration	
Weekly Gross	**£625.00**	Weekly Gross	**£625.00**
Accrued Holiday Pay @ 10.17%	**£63.56**	Weekly Expenses	**£118.75**
		Accrued Holiday Pay @ 10.17%	**£51.49**
Taxable Salary	**£561.44**	Taxable Salary	**£454.76**
Gross Pay - Holiday Held		*Gross Pay - Expenses - Holiday Held*	
Deductions		**Deductions**	
PAYE TAX	**£89.08**	PAYE TAX	**£67.74**
Employee National Insurance	**£50.21**	Employee National Insurance	**£38.47**
		Processing Fee	**£17.50**
		Additions	
		Expenses	**£118.75**
Net Pay + Holiday Gross	**£485.72**	**Net Pay + Holiday Gross**	**£501.29**
NET TAKE HOME PAY	**£422.15**	**NET TAKE HOME PAY**	**£449.80**
HOLIDAY PAY BANKED	**£63.56**	**HOLIDAY PAY BANKED**	**£51.49**
Gross Holiday Pay is held & accrued on account until requested		*Gross Holiday Pay is held & accrued on account until requested*	

Total Weekly Saving with us	**£27.65**	
Total Annual Saving with us	**£1,437.57**	
Annual Holiday Pay Banked with us	**£2,677.25**	**Gross**
Holiday Pay is subject to PAYE Tax and National Insurance Payments	*Assuming you work 52 weeks per year*	

Thank you for your recent enquiry to RACS Collective. If you are unsure about any aspect of this illustration please call us on: 0845 604 0572 - we will be happy to assist. **Important NOTE**: RACS does NOT charge you for Employers National Insurance contributions, these are passed on to your Agency.

Please note that this illustration is based on a standard 603L/1 tax code (2008/09) and must be considered as a guide only

personal circumstances may effect these figures - RACS cannot be held responsible any misguidance

Personal Illustration

working thorough RACS Collective

No Agency Uplift

Prepared for	Personal Details	
A Contractor	Tax Code	*603L/1*
	DAILY Rate	*£125.00*
	No. Days Per Week	*5*
	Weekly Expenses	*£118.75*
	Date	*04 February 2009*

PAYE Illustration		Collective Illustration	
Weekly Gross	**£625.00**	Weekly Gross	**£625.00**
Accrued Holiday Pay @ 10.17%	**£63.56**	Weekly Expenses	**£118.75**
		Accrued Holiday Pay @ 10.17%	**£51.49**
Taxable Salary	**£561.44**	Taxable Salary	**£454.76**
Gross Pay - Holiday Held		*Gross Pay - Expenses - Holiday Held*	
Deductions		**Deductions**	
PAYE TAX	**£89.08**	PAYE TAX	**£67.74**
Employee National Insurance	**£50.21**	Employee National Insurance	**£38.47**
		Variable Adjustment Fee	**£44.77**
		Processing Fee	**£17.50**
		Additions	
		Expenses	**£118.75**
Net Pay + Holiday Gross	**£485.72**	**Net Pay + Holiday Gross**	**£456.52**
NET TAKE HOME PAY	**£422.15**	**NET TAKE HOME PAY**	**£405.03**
HOLIDAY PAY BANKED	**£63.56**	**HOLIDAY PAY BANKED**	**£51.49**
Gross Holiday Pay is held & accrued on account until requested		*Gross Holiday Pay is held & accrued on account until requested*	

Total Weekly Saving with us	**-£17.12**	
Total Annual Saving with us	**-£890.46**	
Annual Holiday Pay Banked with us	**£2,677.25**	**Gross**
Holiday Pay is subject to PAYE Tax and National Insurance Payments	*Assuming you work 52 weeks per year*	

Thank you for your recent enquiry to RACS Collective. If you are unsure about any aspect of this illustration please call us on: 0845 604 0572 - we will be happy to assist. **Important NOTE:** As a Contractor, Employers NIC is taken from the Gross amout invoiced to your Agency.

Please note that this illustration is based on a standard 603L/1 tax code (2008/09) and must be considered as a guide only

personal circumstances may effect these figures - RACS cannot be held responsible any misguidance