

A SIMPLE GUIDE TO
UNDERSTANDING DAILY
RATE CONTRACTING

2016



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S1. WHAT IS DAILY RATE CONTRACTING?

Daily Rate Contracting is best described as a professional providing his/ her expertise to a client for an agreed rate of pay.

The rate of pay is typically expressed as a daily or hourly rate of pay rather than a salary.

The predominate reasons for becoming a Daily Rate Contractor include, financial benefits, career progression and increased diversity of experience and skill set.



S2. MOVING FROM PERMANENT TO CONTRACT WORK

There are many reasons why permanent employees decide to turn to contract work; the flexibility that comes with contract work; the wider variety of work, but predominantly it's to make more money and create greater opportunities!

Contractors often earn more than their employee counterparts; however it is important to understand the difference between working as a Contractor and working as an employee.

Firstly as an employee, a Contract of Services applies between the employee and employer.

As a Contractor, a Contract for Services applies. Under a contract for services, a Contractor is not an employee but is self-employed.

Rather than receiving a salary, Contractors negotiate a daily or hourly rate of pay to supply their professional services.

In general, contractors do not receive paid holiday leave; for this reason Contractors often incorporate holiday pay into their rate.

S3.

SOCIAL WELFARE ENTILEMENTS WHEN CONTRACTING

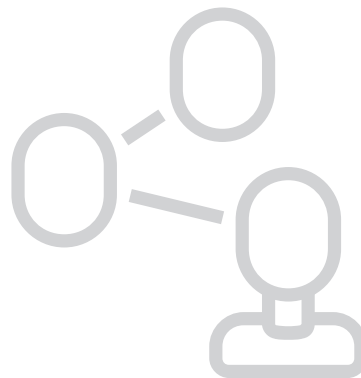
Social Welfare entitlements are determined by the Class of PRSI paid by a Contractor. The Class of PRSI payable is often influenced by circumstances of the Contract; such factors can include the nature of work, the duration of the contract and the rate of pay. These factors will determine if the most appropriate way to Contract is via:

- Umbrella Company
- Personal Limited Company

Contractors operating under an Umbrella Company paying Class A PRSI

BENEFITS OF CLASS A PRSI CONTRIBUTIONS : Umbrella Company

- Jobseekers Benefit
- Illness Benefit
- Maternity Benefit
- Adoptive Benefit
- Health and Safety Benefit
- Invalidity Pension
- Widow/Widower's or Surviving Civil Partner's (Contributory) Pension
- Guardians Payment (Contributory)
- State Pension (Contributory)
- Treatment Benefit
- Occupational Injuries Benefit
- Carers Benefit



Contractors operating under a Personal Limited Company

Class S PRSI is a lower rate of PRSI however Contractors operating under a Limited Company often result in a taking home a higher net pay.

BENEFITS OF CLASS S PRSI CONTRIBUTIONS : Personal Limited Company

- Widow/Widower's or Surviving Civil Partner's (Contributory) Pension
- Guardians Payment (Contributory)
- Maternity Benefit
- Adoptive Benefit

It is important to note that while Contractors paying Class S PRSI do not make contributions to Job seekers benefit, there is the option to apply for Job Seekers Allowance which is means tested. For Contractors that paid Class A PRSI in a previous job, such class A PRSI contributions may be taken into consideration for receiving Job Seekers / Illness Benefit within a 2 year timeframe.

S4. PAYING TAX AS A CONTRACTOR

The amount of tax paid by a Contractor is impacted by 3 main factors:

- Tax Credits
- Tax Rates and Tax Bands
- Business Expenses Claims

Just like an employee, contractors are entitled to a range of tax credits depending on personal circumstances.

Contractors who pay Class S PRSI are entitled to the Earned Income Tax Credit however do not receive the PAYE Employee Tax Credit. Similarly employees are entitled to the PAYE Employee Tax Credit however are not entitled to the Earned Income Tax Credit.

PERSONAL CIRCUMSTANCES	2016
Single Person	€1,650
Married Person or Civil Partner	€3,300
Widowed Person or Surviving Civil Partner - qualifying for Single Person Child Carer Credit	€1,650
Widowed Person or Surviving Civil Partner without qualifying child(ren)	€2,190
Widowed Person or Surviving Civil Partner in year of bereavement	€3,300
Single Person Child Carer Credit	€1,650
Widowed Person or Surviving Civil Partner Tax Credit (with qualifying child) - Bereaved in 2015	€3,600
Widowed Person or Surviving Civil Partner Tax Credit (with qualifying child) - Bereaved in 2014	€3,150
Widowed Person or Surviving Civil Partner Tax Credit (with qualifying child) - Bereaved in 2013	€2,700
Widowed Person or Surviving Civil Partner Tax Credit (with qualifying child) - Bereaved in 2012	€2,250
Widowed Person or Surviving Civil Partner Tax Credit (with qualifying child) - Bereaved in 2011	€1,800
Widowed Person or Surviving Civil Partner Tax Credit (with qualifying child) - Bereaved in 2010	---
Home Carer Tax Credit (max.)	€1,000
PAYE Employee Tax Credit	€1,650
Earned Income Tax Credit (max)	€550
Age Tax Credit if Single, Widowed or Surviving Civil Partner	€245
Age Tax Credit if Married or in a Civil Partnership	€490
Incapacitated Child Tax Credit	€3,300
Dependent Relative Tax Credit	€70
Blind Person's Tax Credit - Single Person*	€1,650*
Blind Person's Tax Credit - One Spouse or Civil Partner Blind*	€1,650*
Blind Person's Tax Credit - Both Spouses or Civil Partners Blind*	€3,300*
Incapacitated Individual – Relief for employing a carer**	

*Relief in respect of the cost of maintaining a guide dog (max €825) is claimed under the heading of Health Expenses.

** Relief for Employing a Carer is allowable at the individual's highest rate of tax, that is 20% or 40%.

S4.1 TAX RATES AND TAX BANDS

Appropriate tax bands are applied depending on a Contractors status.

Contractors who are assessed as single will pay tax @ 20 % of the first €33,800 with earnings above this taxed @ 40%

Contractors who are married or in a civil partnership with one income will pay tax @ 20% on the first €42,800, with earnings above this taxed @ 40%

Personal Circumstances	2016
Single, Widowed or a Surviving Civil Partner without qualifying children	€33,800 @ 20%, Balance @ 40%
Single, Widowed or a Surviving Civil Partner qualifying for Single Person Child Carer Credit	€37,800 @ 20%, Balance @ 40%
Married or in a Civil Partnership (one Spouse or Civil Partner with income)	€42,800 @ 20%, Balance @ 40%
Married or in a Civil Partnership (both Spouses or Civil Partners with income)	€42,800 @ 20% (with an increase of €24,800 max), Balance @ 40%

S4.2 BUSINESS EXPENSES CLAIMS

As a contractor, tax relief may be claimed on business expenses which reduce the amount of tax payable.

Business Expenses claims can be processed through a Contractors weekly or monthly payroll.

It is imperative that all receipts are provided for business expense claims; such receipts must be maintained for a period of 6 years as per Revenue Guidelines.

S5. THE TYPE OF BUSINESS EXPENSES CLAIMED AS A CONTRACTOR

As a Contractor, tax relief may be granted on business expenses that are wholly, exclusively and necessarily required for the purposes a contract.

Contractor's business expense claims can vary depending on the nature of contract work.

Examples of business expense claims include:

- Mobile & Internet
- Postage & Stationary
- Public Transport / Tax Saver Ticket
- Training Courses
- Business Equipment
- Relocation Expense
- Utility Expenses
- Travel and Subsistence

Business expenses claims require supporting receipts which must be maintained for a minimum period of 6 Years. Revenue will require such receipts in the event of an inspection. Further information and advice on individual business expenses should always be obtained from the Accounting Service Provider or Revenue's Explanatory Leaflet IT 51 Employees' Motoring/Bicycle and Leaflet IT 54 Employees' Subsistence, Tax Briefing 3 and 4.

SCHEDULE OF RATES BASED ON THE CURRENT RE-IMBURSEMENT CIVIL SERVICE KILOMETRIC RATES

Official Motor Travel in a calendar year	Engine Capacity: Up to 1,200 cc	Engine Capacity: 1,201 cc to 1,500 cc	Engine Capacity: 1,501 cc and over
Up to 6,437km	39.12 cent	46.25 cent	59.07 cent
6,438km and over	21.22 cent	23.62 cent	28.46 cent

Table of Domestic Subsistence Rates effective from 1 July 2015 Overnight Allowances

Normal Rate €125	Reduced Rate €112.50	Detention Rate €62.50
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Subsistence :
In order to claim subsistence a contractor must be working away a minimum of 8km from their normal place of work.

10 hours or more €33.61	5 hours but less than 10 hours €14.01
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S5.1 PAYMENT AND COLLECTION OF TAX WHEN CONTRACTING

One of the primary responsibilities of contracting is that Contractors are accountable for paying their own taxes.

Under a LTD Company structure, tax is not payable in one lump sum at the end of the year, but rather is deducted through the PAYE system on a weekly / monthly basis.

When operating under an Umbrella Company, Contractors benefit from a fully managed service where all tax and accounting duties are taken care by the Accountancy Service Provider; A payslip is issued to each Contractor to show tax calculations and earnings and all taxes are submitted to Revenue. A net payment is transferred to each Contractor's personal bank account.

The same service can also be offered for Contractors operating under a Personal Limited Company.

S6. RELOCATING FOR A CONTRACT

Where it is necessary to relocate for a contract, Contractors may be entitled to claim relocation expenses.

- The vouched travel costs to Ireland
- Removal costs
- Accommodation costs for the first 3 months of a specific contract

For contractors who have relocated specifically for a contract, but have not sourced accommodation; a subsistence rate of €125 per night may be permitted for the first 10 nights of the contract.

Where a Contractor has relocated within Ireland, the vouched fuel costs may be permitted as a business expenses for the initial trip to the place of relocation.

It is vital that the relocation is of a significant distance.

S7. FIRST TIME TO WORK IN IRELAND

For Contractors coming to work in Ireland a PPS Number is required to register with the Irish Revenue Commissioners.

PPS Number Application

A Personal Public Service Number (PPS Number) is a unique reference number that enable Contractors access to social welfare benefits, public services and most importantly to register to pay tax.

PPS Numbers are issued from the PPS Number Registration Centre: Appointments are necessary alongside documentation:

Documents required for a Non Irish citizen:

- EU/EEA citizen – Passport or national identity card
- Non EU/EEA citizen – Passport
- Evidence of address - Household bill

Opening an Irish Bank Account

For Contractors who wish to open a Bank Account, the following documentation is typically required

- A valid passport or driving licence
- Evidence of address - Household bill

Contractors who are non-resident may also be required to provide a character reference and financial history.

S8. SECURING A MORTGAGE AS A CONTRACTOR

There is often an assumption that stricter lending criteria will apply for Contractor Mortgages; however this is not always the case. The demand of Contractor workers is continually increasing in Ireland and as a result Banks are now showing more consideration for Mortgage applications.

Like any other mortgage application, a deposit is required alongside a full financial review and career history, alongside qualifications.

As a Contractor, Banks will typically look for 2 years contracting history; however this depends on the type of mortgage sought.

S9. SETTING UP AS A CONTRACTOR

The most common ways to set up as a Contractor is through an Umbrella Company, Single Managed Service Company or by forming a Personal Limited Company

- Umbrella Company

An Umbrella Company is often the most popular option for first time Contractors given that all tax and accounting responsibilities are undertaken by the Accounting Service Provider.

Two solutions can be offered under an Umbrella Company

- PAYE Umbrella Company
- Director Umbrella Company

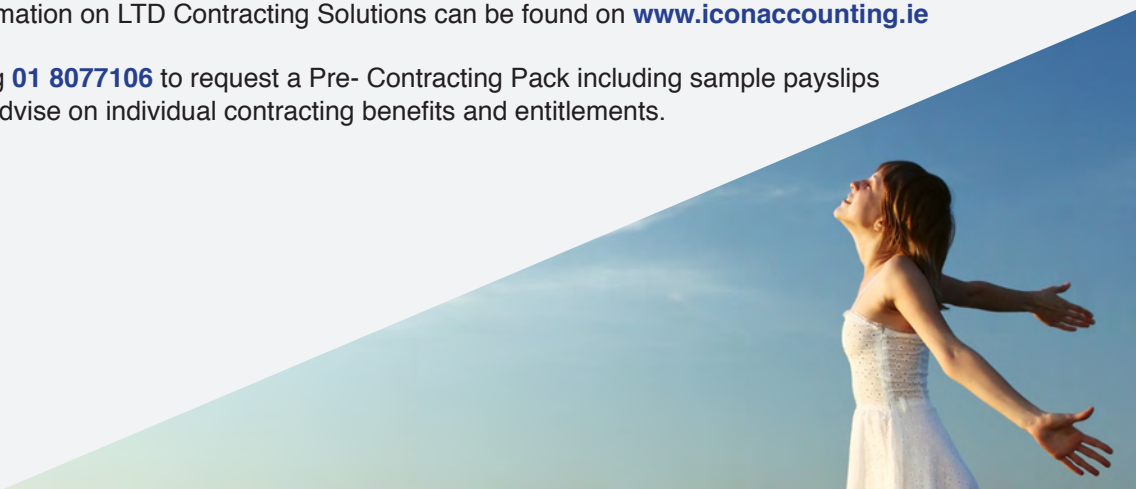
Under a PAYE Umbrella Company Contractors pay Class A PRSI, while under a Director Umbrella Company Contractors pay Class S PRSI.

- Single Managed Service Company / Personal Limited Company

A Single Managed Service Company and Personal Limited Company is most popular for long term Contractors. Setting up a Personal Limited Company can take longer than setting up under an Umbrella Company or Single Managed Service Company; however a Personal Limited Company can offer greater flexibility for financial planning.

CONSIDERING CONTRACTING?

Further information on LTD Contracting Solutions can be found on www.iconaccounting.ie or by contacting **01 8077106** to request a Pre- Contracting Pack including sample payslips and further advise on individual contracting benefits and entitlements.



A man with short brown hair and a light beard is smiling at the camera. He is wearing a light blue long-sleeved button-down shirt with the sleeves rolled up, a dark watch on his left wrist, and blue jeans with a brown studded belt. He has his arms crossed and is leaning against a blue textured wall. The background is split diagonally, with a dark blue triangle in the upper right corner containing the text 'ICON ACCOUNTING'.

ICON ACCOUNTING