



In their own words:
Five years as a limited
company contractor

Reflecting on five years as a limited company contractor

A PayStream Q&A with David Clerihew

We recently spoke to David Clerihew, a contractor in the construction sector, who's been with us as a limited company contractor for five years.

We asked him how he came to embrace life as a contractor, what he's learned along the way, and what advice he would offer to others thinking of following in his footsteps and embracing the freedom that comes with being your own boss. David shares with us his experiences.

Taking advantage of a higher income

Over the years, David has worked on multiple projects which has given him the opportunity to perfect his skills in the construction sector.

"I made the switch because the opportunity presented itself... it was the promise of a decent wage at the time, the chance to make more money than I would have done otherwise," he explains.

"Financially it's more rewarding. It certainly gives you greater flexibility."

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The need to stay on top of your finances

David says that while he found it relatively easy on the whole to make the transition to a limited company contractor, aided by the support of PayStream, he has experienced the occasional bump in the road that he had to overcome.

For instance, one year David decided to make a large one-off payment for a mortgage deposit that required him to take more money than usual out of the business, which resulted in a higher tax bill for that year.

He explains: "Because HMRC then forecast forward a year and make the assumption you're going to take out the same amount of money next year, I had a demand for another big tax bill the following year."

Fortunately, the situation was easily resolved with the help of PayStream's expert accounting team, who were able to explain to David exactly what had happened and what he needed to do. However, this does highlight how being a limited company contractor requires you to keep a close eye on your finances, as well as how having expert advice on hand - like that offered by PayStream - can help guide you through any situation you may be unsure about.

The right mindset for contracting

Overall, David says he's very happy with life as a contractor and it's certainly something he would recommend to others, but he did advise that people moving into this area need to do so with their eyes open and be certain that it's the right move for them before they make the leap.

"Before going into it, I looked into the area and had done a fair bit of research, so I knew what to expect. There were no big surprises for me,"

David says, so this is something any prospective contractor ought to take heed of.

To make a success of contracting, David notes that it's important to have the right mindset and recognise that there will be a little more work involved, so a degree of discipline will be required in order to stay on top of things. While this means it may not be suited to everyone, there can be major rewards for those who are prepared to give it their full attention.

While there will be occasional paperwork and admin to take care of, much of the hassle associated with this can be eliminated by enlisting the help of services such as PayStream to help guide contractors through their finances.

David concludes:

"It's definitely important to have someone like PayStream that you can turn to if you have any questions. It certainly makes the tax side of things a lot easier, as well as expenses and things like that. Working with PayStream means it doesn't take a lot of thinking about."

Speak to a member of our team today about our limited company and accountancy services.

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