



Tax Planning for Contractors

Specialising in supporting professional contractors Steed Solutions Limited is able to offer a unique tax planning opportunity to Contractors designed to reduce their exposure to taxation and to provide cash in hand in a tax efficient manner.

The Steed Solution

First you will need to agree to supply services to Steed Consultants. This quick simple process requires you to complete a short application form, sign a consultancy agreement and complete a self-employment application form for HMRC.

As a consultant of Steed Consultants you will be paid a consultancy fee and be able to take advantage of a trust we have established for the benefit of our consultants. After Income Tax and National Insurance our consultants will typically be left with around 85-87% of the contract value as cash in hand.

Legal advice on this arrangement has been provided by KPMG and an eminent QC who specialises in the area.

The Basics

- ◆ You receive gross payment of a small consultancy fee. After deduction of any allowable expenses the consultancy fee will be taxable as income and subject to Class 2 and Class 4 National Insurance contributions.
- ◆ Steed Consultants settles funds into an offshore trust and the trustees of the trust are able to make incentives available based upon performance (Performance Related Incentives).

The Tax Implications

- ◆ The small consultancy fee is paid gross and Income Tax and National Insurance are collected through the self-assessment process.
- ◆ Performance Related Incentives are made available by the trustees of the offshore trust. It is envisaged that the typical incentive chosen by an individual will be a loan. As the individual is not an employee the loan is not be subject to any Benefit in Kind provisions or other legislation relating to employment related loans, including the “Employment income through third parties” legislation announced on the 9 December 2010. Any loans advanced will leave the individual with non-taxable cash in hand.
- ◆ For a more detailed calculation please get in touch and we will be happy to provide one based on your daily/hourly rate.

The Consultancy Fee

- ◆ The consultancy fee is automatically paid out via BACS the same day that the Steed Consultants invoice is settled.
- ◆ The daily consultancy fee is typically the greater of 13% of the contract value or £50.

The Incentives

- ◆ The most advantageous incentive is a loan as this yields the best returns for the individual consultant. Having gained immediate access to the loan amount the individual has no tax to pay.
- ◆ Where the individual would like to receive a loan it may be quickly and easily requested online at any time of the day or night.
- ◆ The trustees review loan requests every working day and loans are paid out via BACS the same day that they are approved.

The Offshore Trust

- ◆ The Trust has been settled by Steed Consultants for the benefit of its self-employed consultants, it is not an EBT.
- ◆ The Trustees have a duty to manage the trust assets for the benefit of the consultants and the owners of Steed Consultants are not permitted to benefit from the trust.
- ◆ Any funds paid into the trust are held for the benefit of the consultants to provide further incentives to them.
- ◆ The Trustees must act in the interests of the beneficiaries (consultants).

Transparency & Confidence

- ◆ As a business we appreciate that confidence will grow when our clients can see what is happening. For this reason comprehensive information is accessible 24 hours a day using our on-line system.
- ◆ Every consultant has access to an instantly generated downloadable spreadsheet that details loans made, payments received, payments made and a summary of the position to date.
- ◆ We always aim to give clear and informative answers to questions that are raised and we use the best technology to get things right first time, every time.

A Flexible Solution

- ◆ As a company we are able to tailor the arrangement in various ways to suit the specific needs of each company or individual. The current choices are listed below, but others may be possible upon request.
- ◆ Consultants may request non-taxable loans from the trustees of the offshore trust as frequently or infrequently as desired.
- ◆ Consultants may negotiate increased self-employment income levels if required.
- ◆ Each consultant may have multiple bank accounts and it is possible to arrange for payments to be split between them in various ways.

Other Advantages

- ◆ No IR35 issues
- ◆ No MSC issues
- ◆ No application of new Employment income through third parties (9 December 2010)
- ◆ Confidentiality
- ◆ No set-up or exit fees
- ◆ Coverage under Steed Consultants' Professional Indemnity Insurance

Common Questions

Q Can the trustees request repayment of the loan?

Only if it is in the interests of the consultants. It is difficult to envisage a scenario where such a move would be in the interests of the consultants. In the extremely unlikely event that repayment was requested the repaid funds must be held for the benefit of the consultants.

Q Can loans be written off?

When possible options may be made available, but they will be dependent upon legislation in force at the time. We do not believe that any consultant would wish to receive a large tax bill as the result of a failed attempt to write off the loan in a tax efficient manner. Some consultants may prefer to use the loan to reduce the value of their estate for Inheritance Tax purposes yielding a significant additional tax advantage.

Q Is my money safe?

Steed Solutions Limited is regulated and licensed by the Isle of Man Financial Supervision Commission as a Trust Service Provider. We are required to follow strict rules and segregate client money from our own, to maintain high levels of liquidity, make regular disclosures to the regulator of our financial status, carry high levels of Professional Indemnity Insurance and to have annual audits.

A Rewarding Solution

Not content with offering great opportunities for our clients we also offer commission when clients refer others to us. The commission is paid on the last Friday of every month and represents part of the fees we have received from the introduced client. To take advantage of this arrangement you don't need to use our services yourself. We are still paying commission to some clients who haven't used any of our arrangements for years!

Next Steps

Becoming a consultant is a simple process. To get the ball rolling and facilitate the production of paperwork we need to know the following.

- Client/Agency name and contact details
- Current daily/hourly rate
- Your preferred starting date (the first day to be billed for)
- Your full name
- Your telephone/mobile number
- Your current postal address
- Who referred you to Steed Solutions/Steed Consultants

For a free consultation or to obtain more details please contact us on +44 (0)1624 695214 or enquiries@steedsolutions.com

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Commission as a Trust Service Provider.*