

INFORMATION FOR CONTRACTORS

Contracting can be very different to full-time employment. If you're hired as a contractor, you will typically fall into one of two scenarios – a fixed term contract or hourly rating. In every recruitment relationship facilitated by Momentum, there are three parties involved: the consultancy (Momentum), the client (the organisation looking for staff), and the contractor (you). Not sure how contracting works? Here's some information.

FIXED TERM

Fixed Term contracts are very similar to permanent placements, except they have a pre-determined end. The consultancy facilitates the introduction and screening process, then the client deals with the contractor directly and pays them in a similar manner to a permanent employee – fortnightly or monthly. As a fixed term employee you will be entitled to all the same benefits as a permanent employee. Every contract is different, and every organisation likes to do things their way.

ADVANTAGES

Fixed term contracts usually have more security and cannot be terminated without notice. A process must be followed, as set out in the contract.

DISADVANTAGES

There is no tax advantage, which can be problematic if you're used to contracting on an hourly, daily or weekly rate.

HOURLY RATES

The consultancy's job is to find the client a staffing 'solution' – you. When we've found the most suitable candidate, we sign them up on a couple of contracts.

The first contract is a Contract for Services. This establishes the legal relationship between the consultancy and the contractor. It is only signed once and remains in place for the duration of the relationship. It lays out the framework for the relationship and the obligations of both parties, and states the fact that you are an independent contractor, not an employee. It also includes a restraint of trade clause between the contractor and the client they've been contracted too.

The second contract is a Supplementary Agreement and is specific to the assignment the contractor has been contracted too. It includes things like who you report to, what you get paid, and the contract's beginning and end dates. You get a new supplementary agreement for every new assignment you undertake.

You will need to complete weekly time sheets using our Online payroll tool, Flexitime, which must be approved by your reporting manager by mid-day Monday for the proceeding week. Payment will be made as per our payment schedule which is distributed on a regular basis.

Momentum on-charges Professional Indemnity and Personal Liability insurance at 45 cents per hour, which is deducted from your hourly rate. You can opt out of this if you have your own policy which is equal or greater in value to the cover provided through our insurers, QBE Insurance.

ADVANTAGES

Hourly rating has a degree of flexibility and autonomy, not to mention tax savings.

Some contractors establish themselves as Limited Liability Companies, while others prefer to keep it simple and operate as a Sole Trader. By doing either of these things you can claim back expenses you incur while performing your contractual duties, like petrol, parking, mobile phone usage and your home office.

Hourly rates are generally higher to offset costs like holiday pay and sick pay which are not usually included in this type of engagement.

DISADVANTAGES

The client can terminate the contract without notice. However, anecdotal evidence suggests that, more often than not, contracts are extended or become permanent, rather than being cut short.

You are responsible for meeting your own tax obligations. For useful tax information you can access IRD's website here: <https://www.ird.govt.nz/resources/b/8/b80a264e-a983-407b-babb-8348e379d54a/ir963.pdf>