



Ka rawe! So, you're thinking about entering the world of contracting?

There are awesome benefits that come with being a contractor – particularly if you do it right! Us here at Pūmanawa Mahi have decided to give you a helping hand at getting prepared to enter the world of contracting. Here, you will find helpful information and links to assist you in ensuring you are best prepared to get going! But first, you will have to decide whether contracting is for you. Below are some questions to consider:

1. Do I have the right mentality to be a contractor?

Having the correct mentality as a contractor is essential to being a good operator. There are many things to consider when it comes to a contracting mentality. The ability to work by yourself, the ability to complete tasks on time, and ensuring you complete all work to a high standard are important when thinking about entering the contracting world.

Sub-questions to consider

- ❖ Am I a self-starter and can motivate myself to complete tasks on time?
- ❖ Will I be able to handle periods of time with minimal work? On the other hand, will I be able to manage multiple work streams at the same time?

2. Are the skills that I possess in demand?

Ensuring a demand for your skills is essential to ensuring that you can find work in the relevant field. Also, you may find yourself having to adjust and adapt your skills to a changing and evolving work environment.

Sub-questions to consider

- ❖ What are the 'in-demand' skills in the current work environment? Is there any demand for my skills?
- ❖ Am I happy to continue adapting my skills to a changing work environment?
- ❖ Do I need to market myself in a certain way to ensure that I am best positioned to deliver work within a demanded field?

3. Have I really considered the financial implications?

From budgeting, to cash-flow management, to ensuring you remain compliant with all applicable regulations, there are many financial considerations to contracting. You will need to think about all the possible costs associated with starting out. For example, resources such as having your own computer,

accounting software, and office equipment are just some of the things you may require.

Sub-questions to consider

- ❖ Am I good at budgeting and can manage my cash-flow through peaks and troughs?
- ❖ What initial set-up costs do I have (i.e. computer, software, office equipment)?
- ❖ I need to consider that I will need to budget for my own annual, sick, and bereavement leave.
- ❖ Will I be able to manage my own tax, ACC, health and safety, and financial systems?

Tau kē! Now that you have thought through some of the things you need to consider, if you think contracting is still for you, it is about time we looked at getting started! But on a brighter point, let's consider the following...

Why would I want to start contracting? What are some of the benefits?

Contracting comes with its benefits and its considerations. As a contractor, you have the freedom to choose your work, and how you work. From a financial perspective, it provides you with the ability to maximise your income potential for the skills you offer and whatever you earn is not attributed to anyone else other than yourself. Being a contractor gives you a level of flexibility that you do not have as an employee, however, you have to be careful not to be too flexible...

To understand more about the benefits and considerations of contracting, Xero has a [guide](#) to help you out.

It's time to get started. Let's choose a structure...

Now that you have decided that contracting is something you would like to do, one of the first things to consider is the legal structure with which you will do your contracting work, i.e. as a [sole trader](#), under a [partnership](#) with other people, or as a [limited-liability company](#). It is important to ensure you select the right structure as getting it right can save you a lot of strain when it comes to the reporting period of the year. There is support available to assist you to make the correct decision, take a look at the following [tool](#) from business.govt.nz to help you in choosing the correct structure.

Now that I have decided on the structure I want; how do I get started?

Depending on which structure you have decided, please follow the relevant advice below.

Sole Trader



Registration, Tax, and GST... So, you want to go out on your own, the first port of call is to ensure that you have registered as self-employed and have ensured your taxation is organised. Please note – if you think you will earn more than NZD\$60,000 as self-employed within a 12-month period, there is a requirement of you to register for GST. For more information on taxation and registering for GST, visit [Inland Revenue](#).



Bookkeeping and bank accounts – show me the money! Before you start working as a contractor, get your bookkeeping under control and engage an accountant for advice and any services as you require it. Pūmanawa Mahi recommends [Xero](#) as the preferred accounting software to ensure you keep the numbers in check! It is also beneficial for you to open a business bank account so that you can keep your business and personal finances separate. Seek advice from your bank on what the best option is for you.

Insurance – keep yourself safe. Now is also the time to consider any professional insurance you may require. Please take advice on what business insurance is appropriate for you.

Partnership

Get a solid partnership agreement in place. A partnership agreement stipulates how you start, how you operate, and how you leave the partnership and work should not start before you have an agreement in place. Partnerships are governed by the [Partnership Act 1908](#).



Registration and GST... Forming a partnership requires you to register for a [partnership IRD number](#). Along with this, each partner should have their own individual IRD numbers which will allow each partner to pay tax on their own income. Please note – if you think the partnership will earn more than NZD\$60,000 within a 12-month period, there is a requirement of you to register for GST. For more information on taxation and registering for GST, visit [Inland Revenue](#).



Bookkeeping and bank accounts – show me the money! Before your partnership starts working, get your bookkeeping under control and engage an accountant for advice and any services as you require it. Pūmanawa Mahi recommends [Xero](#) as the preferred accounting software to ensure you keep the numbers in check! It is also beneficial for you to open a business bank account for your partnership so that you can keep your business

and personal finances separate. Seek advice from your bank on what the best option is for you.

Insurance – keep your partnership safe. Now is also the time to consider any professional insurance your partnership may require. Please take advice on what business insurance is appropriate for you.

Company



Get expert advice first... setting up a limited liability company structure arrives with more considerations than the other two structures – however, it can also provide you with a safer way of operating. Start early in getting support and advice from [accountants](#), lawyers, [IRD](#), and business mentors. The [Companies Office](#) also has good advice on what you need to consider before setting up a company.

Now that you're operating under the correct structure for you, it's time to start finding and managing your work.

“you're only as good as your last job...”

Having a good reputation as a contractor is essential to attracting and securing work and the statement above highlights the importance of ensuring that all your work is delivered on time and to a high standard. It is important to manage contract work and assignments and there is some advice below on doing this successfully.



Make use of that [LinkedIn](#) profile and be sure to make use of [other available social media platforms](#) to market your services.

Keep an up to date CV outlining your skills and experience and keep it in a format that you can give to prospective clients at a moment's notice. Adapt the CV to suit the role or assignment that you are endeavouring to secure.

Do your due diligence on the client and get an understanding of the business and their requirements. Also consider how you might fit the organisations culture.

Be flexible in the type and length of work assignments that you contract for. It is helpful to have a longer-term client assignment while undertaking smaller projects. This allows you to manage your workflow and resulting income.

It can be **difficult to get assignments between December and February** each year, so endeavour to pay attention to assignment end dates and aim to get assignments through this period to help manage income.

Keep looking for assignments – it pays to keep a continual look for projects as the work you could be doing for a client now could be impacted on at any time.

Get those project management skills in order as you may be required to lead projects and manage inter-disciplinary teams.

As a final word of advice, don't forget to make use of relevant recruitment agencies, and **don't forget to register as a contractor on [Pūmanawa Mahi](#)!**