

EMERGENT

Considering Contracting / Executive Leasing in New Zealand?

Check out our Frequently Asked Questions

Self-employment as an independent contractor can be a rewarding and satisfying career option. However, when moving from 'employee' to the lifestyle of freelance contractor for the first time there are a usually a number of questions. Below are commonly asked questions about contracting as a guide as what to expect. This is not intended as a replacement for professional advice.

Q1: What will my employment status be as an independent contractor and how does this differ to being employed by an employer on a full-time regular basis?

A1: This is the biggest and most common question! Most organisations are careful to distinguish between independent contractors and employees.

An employee relationship involves being placed on the employer's payroll with a regular base remuneration rate (salaried or per hour) perhaps with a performance commission or bonus. All income earned, including any taxable allowances such as a vehicle allowance, is subject to New Zealand PAYE (Pay As You Earn) tax withheld by the employer and passed to the IRD. Additional benefits can include cars and car parking, medical insurances and the like, many of which are also taxed (FBT) as a 'fringe benefit.' The employer determines the employees' work methods, time and place of work, and evaluates an employee's performance. Statutory and other employee benefits such as annual, sick and bereavement leave are also provided for by the employer. The ability for an employee to claim tax rebates for expenses in New Zealand is extremely limited.

Independent contractors are self-employed, often using their own company as a 'medium' to provide services. Contractors engage in a contract agreement to provide services to a client in exchange for an agreed rate (usually hourly or daily rates, but sometimes on a monthly or on a retainer/completion fee structure). In this way, contracting is similar to how a tradesperson might be engaged to complete work on your house. It may also include some form of commission. Rates / fees are all inclusive—the employer generally does not provide any form of additional payments ('annual leave' for example) as it does for employees. Independent contractors are not considered to be on an employer's payroll; instead, the independent contractor invoices for work performed, and the client pays the contractor through Accounts Payable as it does other suppliers—and according to agreed 'terms' (for example 20th of the month following receipt of invoice). New Zealand Goods and Services Tax (GST) may apply (see below) and the client does not withhold PAYE or other taxes from the payment. The independent contractor is therefore responsible for satisfying their own tax obligations.

Contractors are responsible for delivery of outcomes and to the employer for the end "product" but determines his/her own work methods. Contract terms can be 'rolling,' such as on a project basis or while permanent employees are recruited, or for a fixed period or 'term,' which is often extended.

Employment of employees is governed by a number of Acts of Parliament, such as the Employment Relations Act, and with employment relationship problems referred in the first instance to the Employment Relations Authority. Generally speaking, Contracting is governed by contract law which, in New Zealand is governed by common law and Acts of Parliament and any disputes resolved accordingly. Some laws such as Health and Safety at Work Act are common to business/contracting and employer/employee relationships.

Q2: Who might I work for as an independent contractor?

A2: Either directly to a business and a line manager in that business, or through specialist talent leasing company like Emergent. Direct roles are obtained through personal networks and occasionally advertised as fixed-term contracts on job-boards. As an executive leasing company, Emergent has a team of Consultants and Associates who match experienced contractors with great companies. The team acts as your personal business development team, minimising the gap between one 'assignment' and the next. In either situation you will have a reporting contact at the business in which you are engaged.

Q3: Where might I work as an independent contractor?

A3: Many businesses, large and small, engage the services of independent contractors. Though arguably more common in some areas, contractors work in a wide variety of industries, such as FMCG / consumer products, transportation, technology, manufacturing, and professional services. One attraction of contracting is the prospect of working in different sectors, expanding experience and diversifying your résumé.

Q4: How will I be paid?

A4: This depends in the situation and the agreement entered into. The agreement may describe how and when payment will be made and what requirements need to be fulfilled prior to payment (timesheets submitted and approved, tax invoice received, etc). Terms of each applicable pay structure should be spelled out clearly in writing and agreed to by all parties before work is performed and how payment disputes are resolved should be covered.

If you are assigned / contracted through a leasing company like Emergent there are two options for the client. If the client contracts through a leasing company the company takes care of

"I work as contractor when I like an assignment. Uncertain income at first, but fantastic increase in freedom"

contracts, timesheets, provides insurance options, invoices clients and collects payment according to the payment terms, and also replaces contractors when required. However, if the client chooses to engage a contractor directly once identified by the leasing company then the invoicing and payments are directly between client and contractor. This latter arrangement is more common to large clients with large on-going contingent workforces.

Q5: Are independent contractors eligible for benefits offered by an employer to its employees?

A5: No, normally independent contractors are not eligible for benefits the client makes available to its employees; the client pays a total remuneration fee for services rendered by the contractor. As 'self-employed', the contractor is responsible for their own benefits.

Q6: Are there risks and responsibilities associated with being an independent contractor rather than an employee?

A6: Yes there are some risks and responsibilities that employees don't typically assume. For example, the independent contractor assumes all responsibility for GST and withholding taxes, benefits, maintains appropriate licensing and insurance, and accepts legal responsibilities and exposure associated with performing the job. If direct, the contractor manages timesheet records, billing and collections as well.

Q7: What kind of investment might I need to make?

A7: This really depends on the circumstances. Often the tools of the trade, including desks, offices, IT and computer equipment, phones, email systems and the like are provided. As a first time, longer term contractor you may investigate setting up and investing in home-office space, vehicles, computer equipment, GST registration and similar self-employment business needs. Public indemnity insurance is a normal requirement these days as client's insurance

Q8: What are the advantages of working with an Executive Leasing Company such as Emergent versus working independently?

A8: There are a number of advantages:

- We are looking out for your next role while you're busy on your current assignment. Emergent has a team of Consultants and Associates who match great, experienced contractors with great companies. The team acts as your personal business development team, minimising the gap between one 'assignment' and the next, allowing you to focus entirely on delivering the best possible outcome for the client and project you are working on
- We work at pace and have the premium reputation for leasing / contracting. Our clients will call with urgent needs and it's not uncommon to have someone starting within 48 hours, or for contractors to have back-to-back assignments through Emergent
- We get to know you and your abilities which means we put our stamp of recommendation with your placement – for clients this reduces risk and allowing you a better chance to transition to new industries and sectors or to move to different levels of responsibility

Additionally, if contractors' invoices and payments are through Emergent rather than direct (usually the client's decision):

- Emergent takes care of your debtor and invoice-to-cash risk; paying you the contractor monthly and collecting from the client according to their standard terms of payment
- Our contracts are standardised, allowing for easier and faster engagements
- Emergent's scale means we can provide an indemnity insurance option based on your daily/hourly rate – saving you the need to invest in annual premiums
- Our on-line timesheets are available 24/7 over any internet connection. When required, our timesheets arrive in the client's smartphone or email for instant approval. No more paper and instant reconciliation
- If you are GST registered we can create your invoice for you as soon as your timesheet is approved.
- Unlike direct contracting, we can complete withholding taxes on your behalf

"I can manage my own career without being tied to one employer, and achieve that otherwise elusive optimal work-life balance"

About Emergent

Emergent is one of the most prominent providers of executive contracting/leasing resources. If you are an individual who wants flexibility, enjoys variety and integrates well or a successful organisation searching for the right person with the right skills for a set time period – contracting with Emergent is the perfect solution.