

Starting as an Independent IT Contractor

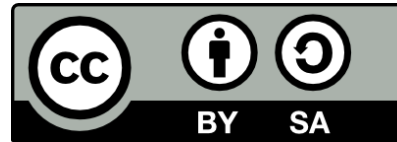
SwiNOG-20

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Agenda

- What to think about
- What to read
- What to do in advance
- Tips for financial planning
- Tips on Swiss labour laws
- Other tips

Ask yourself

- What do I want from it?
- What can I expect from it?
- What are my valuable skills?
- Am I a workaholic?
- Does my family support it?
- Is it really my thing?



What you can expect

- 20% to 50% higher income
- Longer working days
- Vacations and illness on **your own** expense
- More travel
- More work **at home**
- Seeing more people



What is your market?

- Who are your target customers?
 - ◆ Banks/Insurance
 - ◆ Enterprise
 - ◆ ISP/Telecom
- What services will you offer?
- How big is **demand** for your services?

Why would your clients want you?

- Because you can sell yourself?
- Because you are smarter than others?
- Because you have experience?
- Because they know you?
- Because no-one other wants this job?
- Because no-one other can do this job?

What to read

- A Swiss book on how to start an SME (KMU/PME). Founding, taxes, insurances, employment, etc. Usually unavailable in English.
 - I recommend: “Erfolgreich als Kleinunternehmer” available at www.ktipp.ch for CHF 25.-
- An UK or US book on how to start a consulting business (business plan, market research, etc.)

Find a name

- Easy to spell and pronounce
- Unique in Switzerland
- .com domain is easier for international clients
- U.S. domain registrars are much cheaper than Swiss ones
 - I recommend: godaddy.com. Cheap .com, .net, .org domain registrations, unlimited DNS hosting (also for .ch domains)

Find a trustee

(Treuhand/Fiduciaire)

- Must speak **your language**
- Experienced in opening companies
 - with foreigners, if you are one
- Must read and answer **e-mails**
- Close enough for visiting 8 times a year
- Ideally the same person doing the bookkeeping



Define your legal form

- Short-term employee of the customer
- Employee of a body leasing agency
- Sole trader (Einzelfirma / La raison individuelle)
- GmbH / Sàrl
- AG / SA

Short-term employee of the customer

- Most bigger companies don't want that
- Obviously not suitable for B permit holders
- Very limited tax optimization

Employee of a body leasing agency

- The agency **cuts 15-25%** of the contract rate
- It **takes care of social costs** (also tax at source for B permit holders)
- It concentrates on a certain **market sector** and skill areas (and you may not fit there)
- It reduces your administrative effort

Einzelfirma

La raison individuelle

- Inexpensive to register
- Company name must contain your name
- You *must* have **more than one client**
- Bigger companies don't like to work with sole traders

Einzelfirma (cont.)

- If you work for **one client for too long**, AHV/AVS will come up with nasty questions
- **No second pillar pension (BVG/LPP)**. No unemployment insurance.
- Limited tax optimization
- AHV/AVS is taken from the whole income

GmbH / Sàrl

- At least CHF **20'000** start capital
- **Your car** can be part of the capital
- **You are** a normal **employee** of your company
- You have a standard **pension plan** and **unemployment** insurance.
- Since 2008, can be founded by one person



AG / SA

- At least CHF 100'000 start capital and at least 3 founders
- Suitable for a bigger company, not a one-man show

GmbH/Sàrl: your choice

- Best legal form for an IT professional with over CHF 100'000 yearly turnover
- Flexible tax optimization
- Easier to get in contracts
- Pension and social insurances



Outline a cash flow plan

- Build a cash flow plan for one year
- Set your base salary as 80% of your current gross income
- Get the cost estimations from books and verify with your trustee
- Understand how much start-up money you need



Deductible costs

- Car leasing and service
- IT hardware and software
- Transport tickets, fuel and parking
- Internet and telephone
- **Office room in your apartment**
- Office furniture
- Food at the customer site

Cash flow planning

- Some companies pay 2 or more months **after** the invoicing date (usually agencies pay much faster)
- 1 month of work + 2 months payment term = **3 first months with no salary**
- CHF 20'000 as a start-up capital
- Total: you need CHF 40-50K at the start

Bank credit

- How much money do you need to borrow?
- Add 5'000 for reserve
- How much can you pay monthly?
- Choose the bank and the type of credit
 - CREDIT-now
 - GE Money
 - Migros Bank
 - **Comparison service:** www.checkcheck.ch



Regular payments

- VAT (MwST/TVA) (7.6% of invoiced amount): every 3 or 6 months, 3 months payment term
- AHV/AVS (10.1% of gross salary): every 1 or 3 months, ~20 days term
- BVG/LPP and insurances: **~15k in December**



Irregular payments

- Income tax for previous year
- AHV/AVS corrections for previous year

Preparing for your new job

- Check the **notice period** in your contract
- Check if your notice period is **negotiable**
- Do not burn bridges behind
- Make your **old employer happy**

Company registration

- Takes 3-4 weeks to complete
- You can sign contacts on behalf of a company “in registration”
- Once published in Register of Commerce (zefix.ch), you're bombarded with advertisements and **bogus invoices**

Know your rate

- Define your **minimum** rate that still keeps you afloat. Also define your **standard** rate.
- Know your rate in CHF and EUR, per hour and per day, with or without travel costs
- Be **ready to quickly** give a quotation during a **phone call**

How to find contracts

- Talk to people, develop your network
- Place your CV at job sites and contracting agencies
- Check job sites regularly

Agencies

- If you're a GmbH/Sàrl, they cut 10-15% of the contract rate
- Many companies hire through agencies only
- Rarely an agency lets you charge the client directly
- Use Google: probably you find a **direct way** to the client



Job search sites

- jobserve.com
 - best resource for contractors. RSS is available.
- monster.ch
 - good for permanent jobs, also some contract jobs listed
- freelancermap.ch/freelancermap.fr
 - some advanced options available for paying users. RSS is available.

Agencies

- ElanIT (elanit.ch)
- Swisslinx (swisslinx.com)
- Oxford International (oxfordcorp.com)
- Michael Page International (michaelpage.ch)
- Global Human Resources (g-hr.ch)
- ... and many more

Know what you sign

- Read the whole contract carefully
- Negotiate!
- Watch out for handcuff clauses
- Get your contracts checked by a competent lawyer (100-200CHF per review)

VAT (MWSt/TVA)

- Register for a VAT number ASAP after the company registration
- Understand how it works (RTFM or ask your accountant)

Equip your office

- **Second-hand office furniture dealers:**
enterprise quality and IKEA price range
 - I recommend: occasion-bueromoebel.ch
- **Laser Printer/Scanner/Copier**
 - I recommend: OKI MB460 (3 years on-site warranty, 100BaseT, duplex printing, scan-to-email)

Find internet hosting

- VPS or standard webhosting?
 - VPS needs **Linux admin** skills
 - VPS can be used as a VPN and SSH jumphost
 - VPS can be used as **off-site backup** for your most important documents
 - Webhosting is generally cheaper
 - I recommend: softronics.ch offers VPS for CHF 19/month
- Google Apps for your **business e-mail**
 - www.google.com/a

Labour lease law 823.11 AVG/LSE

- **Obliges** to license if you re-sell workforce
 - turnover above CHF 100K/year
- License requires a **deposit**: CHF 50K for 1 year
- Required for **all** contracting and consulting companies, with **exceptions**:
 - You don't need the license if you're **the only employee of your own company**
 - Requirements vary between cantons

Labour lease law (cont.)

- **Some banks and big companies require AVG/LSE license even if it's not required by law**
- **One consulting company with two employees already needs the license**
- **Often companies don't know anything about the law**

Back up!

- Extremely important: **secure off-site** backup for all your document files (invoices, contracts, marketing, ...)
 - I use: 7-Zip with AES password and SCP to my VPS
- Regularly back up your PC. You **cannot afford** two days of re-installing all your software
 - I use: Acronis True Image

Questions?