

INDEPENDENT CONTRACTOR (1099)

WTT LEGAL'S RECRUITMENT DICTIONARY: US EXPANSION EDITION

HERE WE EXPLAIN 1099 CONTRACTORS FOR UK RECRUITERS

WHAT IS A 1099 INDEPENDENT CONTRACTOR?

In the US, a 1099 independent contractor refers to a self-employed individual or entity engaged by a company for specific services. Unlike traditional employees, these contractors operate independently and receive compensation on a project or assignment basis.

The term "1099" comes from the tax form (Form 1099-NEC) that is issued by the hiring company to report payments made to the independent contractor. This arrangement grants flexibility for both parties, but it also means contractors are responsible for their taxes, benefits, and insurance. UK recruiters should navigate this distinction carefully, recognizing the unique tax and legal implications associated with engaging independent contractors in the US

HOW WE CAN HELP

GET IN TOUCH TODAY TO SPEAK WITH OUR EXPERTS

Are you a UK recruiter considering you plans for US expansion? We can help! WTT Legal's Dual US-UK qualified Director of Legal Services, Carla Roberts, holds extensive experience in both the UK and US recruitment market. Our legal team are well placed to advise on transacting business in the US and using your UK entity to engage with US clients.

Contact us at info@wttlegal.co.uk or call us on +44 (0)20 3468 0000 to arrange a free consultation.

NAVIGATING 1099 WORKERS FOR UK RECRUITERS

For UK recruiters expanding into the US job market, gaining an understanding and learning to navigate the engagement of 1099 independent contractors is essential. Recruiters need to grasp the legal distinctions, with a strong emphasis that contractors are responsible for managing their own taxes, are not granted traditional employment benefits, and operate independently.

It's important for recruiters to establish clear and thorough contractual agreements, adhering to IRS reporting requirements with Form 1099-NEC, and communicating the flexible and autonomous nature of contractor relationships. Recruiters need to ensure that 1099 contractors are appropriately classified as independent contractors (rather than W-2 employees) as miss-classification in the US can result in serious tax and financial consequences for the entire supply chain. Classification tests vary from state to state so recruiters may wish to engage the services of an Agent of Record ("AOR") to assist with classifying their 1099 workers.

KEY POINTS TO REMEMBER:

- 1 Independent contractors are considered self-employed and operate as separate entities
- 2 IRS Form 1099-NEC is used to report payments made to independent contractors
- 3 1099 contractors are responsible for securing their own benefits
- 4 It is important to adhere to US labor laws regarding independent contractors - Misclassification can result in legal consequences



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WTT provides award-winning experienced tax advisers, legal experts and wealth professionals working together as a cohesive team. The breadth and depth of our expertise allows us to provide an all-round tailored service for contractors, entrepreneurs and companies alike.

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