



A guide to freelancing

Chapter 02 – Get going

freelance
corner

GET GOING



To get going, the basic steps are:



1. Understand
'employment status'



2. Decide which legal
structure you want to
use to run your business



3. Source an
accountant



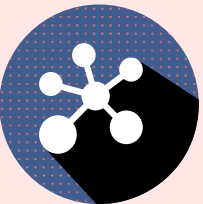
4. Decide whether
to register for VAT



5. Set up a record
keeping system



6. Get a business
bank account



7. Get connected



8. Create a professional
workspace



9. Plan

1. Understand employment status

The reason why you need to understand this is that it could influence your decisions about how you set up the business. Your 'employment status' is what determines whether you should be treated as employed or self-employed for tax purposes.

So in theory, that should be an easy one – you work for yourself, therefore you're self-employed, right?

Well, unfortunately it's not that simple. Just because you say that you're self-employed doesn't necessarily mean that the taxman will agree with you. Indeed, being self-employed or employed is not a matter of choice, but is determined by the facts of each engagement you undertake.

It's a rather nebulous aspect of UK tax legislation that IPSE is working hard to convince the government to simplify and clarify.

So let's start by looking at what it means to be 'self-employed'.

DEFINITION OF 'SELF-EMPLOYED'

Confusingly, this term has two meanings – the one used in casual conversation and the official term used by the tax authorities.

In lay-speak, 'self-employed' is usually used to mean that you're your own boss – in casual conversation people don't distinguish whether you run your business as a sole trader, in partnership or via a limited company.

In official-speak, the term has a more specific meaning. As far as Her Majesty's Revenue & Customs (HMRC) is concerned, 'self-employed' means you are not employed by a company. So therefore you're self-employed if you operate as a sole trader or in partnership (more on that in the next chapter). You are not self-employed if you pay yourself via your own limited company, even though you are still your own boss. That's because in that situation, you are employed by your company.

It's possible to be both employed and self-employed at the same time, for

example if you have a part-time job and do some freelancing on the side.

TO SUMMARISE:

You're self-employed if you're a sole trader or in a partnership

You're employed if you're paid via your own limited company's payroll (or anyone else's payroll for that matter).

ARE YOU REALLY YOUR OWN BOSS?

Where it gets even more complex is that the tax authorities have a nasty habit of challenging freelancers who they believe may be behaving as if they were employees of their client.

If you think and act as if your client was your boss, then the taxman will say that you are not a real business, and instead claim that you are 'deemed employed' by your client. And if you are employed by your own limited company, they have the power to change the manner in which you have been taxed to effectively tax you as if you had been an employee of your end client.

For this not to happen, you must truly be your own boss. This means you call the shots in terms of how you run your business.

IMPLICATIONS FOR SOLE TRADERS (SELF-EMPLOYED)

If you're a sole trader and HMRC challenges the status of your

engagement with your end-client, they will enquire into your client's affairs, not yours. HMRC will want to understand why your end client has deemed the relationship between their business and yours as one of self-employment and not one of employment.

If HMRC's challenge is successful, they will argue that you should have been taken on as an employee for tax purposes, and that your client has failed to operate Pay As You Earn (PAYE) on the amounts paid to you. They will seek to recover the lost Employer's National Insurance Contributions (NICs) from the end-client. They will also charge interest and penalties to the end-client – particularly if HMRC can argue that the end-client knowingly treated you as self-employed when the facts pointed in a different direction.

On the face of it, this isn't your issue, but, of course, it will have ramifications. The end client may feel that the additional 13.8% NIC cost makes it uneconomic for them to continue the engagement and so you lose the business. Alternatively, the engagement may continue, but on the basis of employment, which might not suit your circumstances.

IMPLICATIONS FOR LIMITED COMPANIES

If you are supplying services via your own limited company, you could be affected by the IR35 legislation.

If the relationship between you and the client looks more like an employer-to-employee relationship than a business-to-business relationship, then the IR35 rule will apply.

If IR35 applies, then HMRC requires the payment to your company to be treated entirely as PAYE and taxed at source. In other words, you are paid as if you are an employee, although only for tax purposes.

SO WHO DECIDES IF IR35 APPLIES?

If you're delivering services to a public sector client, the client is responsible for determining your employment status. This takes the status decision completely out of your hands.

If you're delivering services to a private sector client, then the same rule will apply from April 2020.

IR35 is a complex and evolving scenario and it's vital keep on top of the changes.

To stay in the loop visit <https://www.ipse.co.uk/ir35-hub-ipse.html>

HOW EMPLOYMENT STATUS IS ASSESSED

HMRC provides an online tool, Check Employment Status for Tax (CEST), to help clients determine the IR35 status of an engagement.

However, it has been heavily criticised by experts, and only gives an answer in 85 per cent of cases.

IPSE believes the CEST tool is fatally flawed and should not be used.

Beyond that, there are three main factors that are considered in the assessment:

FACTOR 1: Personal service

Employees are obliged to do the work themselves whereas an external supplier providing a service isn't. HMRC will scrutinise whether you genuinely have the right to appoint a substitute to deliver work for clients. What really matters is whether you have the right – even if you never send a substitute.

FACTOR 2: Mutuality of obligation

Employees are obliged to turn up for work and there is an obligation to pay them, even if the work is not up to scratch, or if the work dries up. If this is your situation, you could be deemed employed. If, on the other hand, you can turn down work or can determine whether you turn up on a particular day; or either you or the client can terminate the engagement relatively



easily, this means that you aren't. Take this example from a particular court case: when a company's systems went down the employees were told to "look busy". The freelance contractors were sent home without pay. As a result the court found that there was no mutuality of obligation regarding the contractors.

FACTOR 3: Control

Employees can be directed in how to carry out their work whereas suppliers exercise their professional judgment in how to carry out their work. Does your client tell you what to do? Do they prioritise your work? Your client is not your boss, and if either of you think otherwise, that's not good for passing this test.

You should be the one proposing solutions based on your expertise. In an ideal world, it would be best to pass all three of these tests, but passing two is better than one. Where these status indicators are inconclusive, they will also consider factors which show that you are taking the kind of financial risk that would not be required of an employee, but is associated with running your own business. The more factors in your favour, the better.

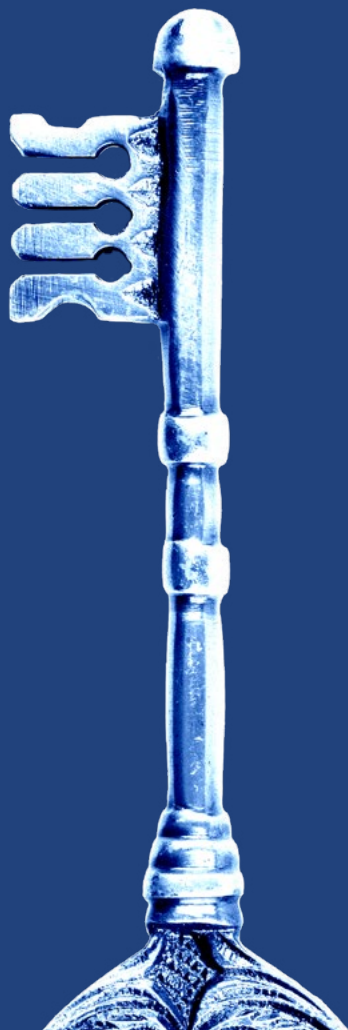
THE KEY IS TO THINK AND ACT LIKE A BUSINESS.

It's a principle that actually starts in your head. You are you, and the service you offer is your business.

Genuine independent professionals are in business on their own account and bear the responsibility for the success or failure of their business. They are not 'disguised employees'.

If the taxman should challenge your employment status, and you are an IPSE member, be sure to let us know. All IPSE members receive free legal representation for tax investigations and IPSE Plus members are supported during the entire process of a tax enquiry, right from the very first letter. This gives you the best chance of a successful outcome. As an IPSE Plus member you also get up to £500 per day compensation for any days spent away from your business to meet with tax compliance officers or to attend a court hearing.

For a more detailed look at IR35, see www.ipse.co.uk/ir35-hub-ipse/guide-ir35-from-ipse.html



2. Decide which legal structure you want to use to run your business

To set up your business you need to establish a trading structure and let the tax authorities know what you're up to. These are the main trading structures that could be relevant to you:

Sole trader (you are self-employed)

- **Limited company** (you are employed by your own company)
- **Partnership** (you are self-employed, but there are others in the business as well)
- **Limited Liability Partnership** (you are self-employed along with others but with limited liabilities)
- **Umbrella company** (you are employed by another company to save you the hassle of setting up your own)

Each has its own tax and legal implications. Some people choose the sole trader route because it's fairly easy to set up, although there are good reasons to explore the other options, particularly the limited company route.

CASE STUDY: EXPERIENCING A TAX INVESTIGATION

Robert is a freelance project manager and infrastructure consultant. Out of the blue he was contacted by HMRC who wanted to review the PAYE records of the limited company he runs to check he was paying proper tax and NICs. As an IPSE member he knew straight away what they were really interested in – checking his contracts to see if they could deem him to be 'IR35 caught'. HMRC suggested he call them, but instead he called the IPSE helpline for advice on what to do next. The tax inspector asked to see his books and records for the last six years and spent two hours going through them. He wanted a complete breakdown of expenses and asked Robert to highlight any mobile phone calls that were personal. Robert duly went through them and found £4 of personal phone calls out of receipts totalling hundreds of pounds. Assuming the inspector would dismiss this as an insignificant amount, Robert

was surprised to hear him say “I’ll have to think what to do about that”. Then the request came to view his client contracts for the previous five years. As expected, the inspector announced that they were being passed to the IR35 compliance department. IPSE provided Robert with an expert adviser, Jacqui Mann from Abbey Tax Protection. As a former tax inspector, Jacqui advised Robert and his accountant throughout the IR35 investigation process and dealt with the authorities on Robert’s behalf. The cost of this representation was covered thanks to his IPSE membership. In the end the case was closed without Robert being liable for additional tax or penalties.

“I felt very panicky at the beginning, but being an IPSE member definitely helped the situation”, says Robert. “Having Jacqui to represent me was very reassuring, and on top of that I was able to discuss it on the IPSE forums with others who have been through the same experience.”

The tax authorities may perform various forms of investigation into both the tax affairs of companies and individuals. These include PAYE and VAT reviews, but also involve ‘requests for information’ which includes the issue of the ‘Check of Employer Records’ letter, which is the precursor to an IR35 investigation. It’s really important to keep paper records and an audit trail of every single transaction, such as purchasing equipment or declaring dividends.

Make sure you have good professional representation in dealings with the authorities.

THE LIMITED COMPANY

A common reason why independent professionals set up a limited company is that some clients are wary of working with sole traders because it puts them at risk if the tax authorities challenge the employment status.

However, it's not the only reason. Having a limited company lends a certain credibility. It's a separate legal entity, which helps to create a division between the person and the business.

You can think of it as being like a separate person – it can own things, and have bank accounts in its own name. It also protects any personal assets – if the company goes bust or gets sued, creditors can't take your possessions (as long as you haven't acted fraudulently or negligently). There are more rules and regulations to running a limited company. However, with the help of a good accountant, this isn't unduly onerous. It will cost you a bit more to run, but on the other hand a company gives you a certain amount of control over when and how you pay tax which can result in legitimate savings.

THE SOLE TRADER

A sole-tradership is a business owned and controlled by one person who takes all the decisions, responsibility and profits.

Sole traders are technically known as self-employed.

Operating as a sole trader is more straightforward than a limited company because there's less paperwork.

You pay tax and National Insurance Contributions (NICs) on the business profit, regardless of how much you draw, so the accounting side of your business is very straightforward.

As a sole trader you are protected from the risk of IR35 because, if HMRC decides that you are 'deemed employed', they will hit your client with the tax bill, not you. However, for precisely that

reason, clients might refuse to engage you, so you could be limiting your market.

In some industry sectors this is more of an issue than others – it's a good idea to compare notes with other independent professionals in your field. Finally, be aware that personal assets, including your home, are potentially at risk because you are personally liable for any business debts, including lawsuits. It therefore makes sense to protect yourself against this by taking out insurance, such as Professional Indemnity, in case someone decides to sue you.

Sole traders pay tax twice a year under the self-assessment system known as 'payment on account'.

Setting up as a sole trader


If you do decide that this is the way to go then you need to register as self-employed. This can be done online at the government website: www.gov.uk/set-up-sole-trader/register.

You have to register within three months of the start of business or you'll be fined!

Rules for running a limited company:

- The company must have at least one director and a registered office, and must have "Limited" or "Ltd" after its name
- Private limited companies are not obliged to appoint a company secretary unless the company's articles contain a reference to the company having a secretary
- Ownership in terms of the split of shares in the company is up to you but many freelancers split the shares with their spouses
- The registered office is the company's legal address and it can be your accountant's office, your own office premises or your home office. In the case of a home office, it is important to check the terms of any lease or mortgage agreement to





make sure there are no restrictions regarding commercial operations

- The registered office must be within the jurisdiction in which the company was incorporated. So a company formed in Scotland must have a registered office in Scotland and a company formed in England or Wales must have its registered office in England or Wales. Legally, a plaque or sign must be displayed outside the building to show that this is the company registered office, although IPSE does not know of any freelancers who have been prosecuted or investigated for failing to comply
- A limited company must file annual accounts with Companies House, and also submit a corporation tax return accompanied with the accounts to HMRC. The limited company must also complete an annual return to Companies House. This document confirms details of the shareholders and directors of the company

THE PARTNERSHIP

A partnership is a simple way for two or more people to work together. There are two types of partnership that you can set up:

1. Ordinary partnership
2. Limited liability partnership

ORDINARY PARTNERSHIPS

Like a sole trader, an ordinary partnership is an unincorporated business. This means that the business is not a separate legal entity and the partners are personally liable for the business debts.

Partners are jointly and severally liable so, if you're in business with someone with no personal assets then you could also find yourself liable for their share of any business debts.

A partnership can continue even if one partner resigns or dies as long as there are at least two other existing partners left. If there is only one partner left, the partnership must be dissolved, however, the remaining partner can continue on the trade as a sole trader.

If one partner takes on a debt, all the partners are jointly liable for repayment of the debt. If one of the partners resigns, dies or goes bankrupt, the remaining partners will still be personally liable for any outstanding debts. However, for tax purposes each partner is taxed on their own share of the profits and therefore, each partner is personally responsible for ensuring they pay the correct amount of tax on time through their own tax returns.

LIMITED LIABILITY PARTNERSHIP

An LLP is different from a traditional partnership in that it is a legal person separate from its members. It has 'members' rather than partners and must be formally incorporated to exist. Like a limited company, an LLP has to submit accounts and an annual return to Companies House each year. This requirement is more demanding than for normal partnerships and specific accounting rules may lead to different profits from those of a normal partnership. However, unlike a limited company there are no requirements for board meetings or decision making by formal resolution, nor does an LLP have a memorandum or articles of association. Partners and members of an LLP can join and leave at any time without the partnership being dissolved. However, in a traditional partnership there would have to be a formal agreement to dissolve the partnership.

HOW PARTNERS ARE PAID AND TAXED

For tax purposes an LLP is treated exactly the same as an ordinary partnership despite having limited liability. Each partner is taxed personally on their share of profits through their own self-assessment tax returns which will be subject to income tax and class 4 NICs. Whether you are a partner in an ordinary partnership or a member of a limited liability partnership, you are classed as self-employed and taxed on your share of any profit made by the business*. Your drawings from the business are not subject to PAYE and do not need to be processed through a payroll system. * For this to apply to LLPs, the business must carry out a trade or profession rather than being simply an investment vehicle.

SETTING UP A PARTNERSHIP

Although it's not a legal obligation, it's a good idea for partnerships to have a member agreement in place and take legal or professional advice about the issues covered in the agreement. As a member of a partnership you need to register as self-employed, which can be done online at:

To set up an LLP you also need to incorporate the partnership at: www.gov.uk/set-up-and-run-limited-liability-partnership.

Otherwise you can appoint an accountant as your agent – they can advise you on the implications.

THE UMBRELLA COMPANY

An umbrella company is a service for people who don't want to run their own limited company. By joining an umbrella service you're handing over the responsibilities and admin to a service provider. You become an employee of the umbrella company – the umbrella then bills your client through its own limited company structure and pays you a salary, with PAYE tax deducted at source, based on the work you do for your clients.

You still have to land your own work, but they do the rest, such as payroll, debt collection and paperwork. It's very easy, saves time, and removes the need to be aware of the legal requirements and risks involved with running a limited company.

The downside is that it's not your own company and, therefore, it's harder to build your own brand. It's also less tax efficient because all the money is paid as employment income.

However, if you're intending to contract for a short period, say a few months, this could prove to be the best option. If you are unavoidably 'IR35 caught' it may also be a good choice – IR35 becomes irrelevant because the fees you earn from the client have the full PAYE tax deducted at source when they are paid to you as salary.

If you decide to go the umbrella company route do your research, seek peer recommendations and consider carrying out credit checks. Make sure that the umbrella company you choose is a PAYE Umbrella. Any providers that claim to be able to pay you gross, without deducting tax at source, are likely to get you into hot water with the tax authorities.

Be careful with offshore umbrella schemes

Some freelancers have been told that they can use an offshore company to avoid IR35. It doesn't matter where your company is incorporated as this does not affect how HMRC determines IR35 status. You should be very wary of any offshore solutions - IPSE has a policy of advising against aggressive tax avoidance schemes.





There are freelancers working in the UK with companies incorporated in countries such as Ireland, the Netherlands and so on. There are reciprocal legal and tax agreements between the UK and these countries. However, some agents and clients are nervous about dealing with foreign companies. Certain offshore schemes have used an umbrella structure and divert bonuses or other income into loans or employee benefit trusts.

IPSE can't comment on specific cases, but HMRC takes a very close look at this kind of thing. Tread carefully before entering into one of these schemes as they are not covered under IPSE's tax investigations insurance policy.

3. Source an accountant

Legally there's nothing stopping you from doing your own accounts, but a good accountant can save you a lot of time and hassle and advise you on how to create legal tax savings, so it's usually well worth the cost.

Using a qualified professional also helps show the tax authorities that you're taking extra steps to comply with the rules.

For complex issues, it's often worth getting a second opinion as well - IPSE members can contact the tax and legal help-lines with any queries.

HOW TO SOURCE A GOOD ACCOUNTANT

Go to www.ipse.co.uk/supplier-directory and browse the list of IPSE Accredited Accountants – they have been given specialist training in the specific tax issues that apply to freelancers and other independent professionals. They all have to pass a tough assessment programme.

If you're an IPSE member, you can also ask for recommendations from other freelancers on the IPSE discussion boards – people tend to reply very quickly, sometimes within minutes.



To make sure they give you a good service, check for the following:

- Do they understand freelancing and all the rules that apply to independent professionals, such as IR35?
- Do they come well recommended?
- Will you have a central point of contact to manage your account or will you be bounced from person to person?
- Do they belong to one of the Chartered Institutes? This will give you more protection against malpractice.
- Are they cost effective? Expect to pay between £60 and £120 plus VAT per month to draw up the end of year accounts and tax returns for a limited company. VAT returns are sometimes included in this fee as well. If you operate as a sole trader or partnership, your accountancy needs may be simpler and you could therefore be charged less.
- Do they offer additional services, such as bookkeeping, including recording and processing of receipts and expenses and invoicing?



4. Decide whether to register for VAT

You don't have to register for VAT until your billings (also known as turnover) hit the VAT threshold amount. For the tax year 2019/2020 this amount is £85,000, although the figure can change from one year to the next. Keep track of the latest VAT threshold at www.gov.uk/vat-registration-thresholds.

If your billings are less than this, you can still register voluntarily. There might be good reasons to do it – see the VAT section in the chapter 'Get ahead' to decide whether it's worthwhile at this stage.

If you do decide to register for VAT, make sure you follow the 'Making Tax Digital' rules, which you can read about here: www.gov.uk/government/publications/making-tax-digital/overview-of-making-tax-digital

5. Set up a record keeping system

You're legally obliged to keep your business records, which basically includes any paperwork associated with running your business.

If HMRC were to inspect your records, they might ask to see any of the following:

- A list of all sales or fee income and other business receipts as they come in, plus supporting records, for example, invoices, bank statements and paying-in slips to show where the income came from and from HMRC's perspective just as important, how it was subsequently taken out of the business and paid to the business owners
- A list of all purchases and other expenses as they arise, with supporting receipts or invoices (unless the amounts are very small)
- All purchases and sales of assets used in your business
- All amounts taken out of the business bank account, or in cash, for your own or your family's personal use
- Business diaries, mileage logs, minutes of Board Meetings, i.e. supporting records as well as the primary accounting records
- All amounts paid into the business from personal funds, for example, the proceeds of a life assurance policy.

You may not always get evidence, such as a receipt, for small cash expenses, but if this happens, make a brief note of the amount you spent, when you spent it and what it was for.

The record must be made contemporaneously, in other words near the time of the event rather than retrospectively. Most records need to be kept for 7 years, although certain types such as title deeds have to be kept for 12 years.

Therefore it makes sense to get a proper system rather than relying on an old shoe box to store all your receipts. There are plenty of innovative, time-saving solutions which allow you to archive everything permanently so you can easily access them at any point in the future. You don't have to keep hard copies of

the records if you don't want to accumulate a warehouse full of physical receipts.

HMRC says the following about scanning or storing records electronically:

“There are no rules on how you must keep records. You can keep them on paper, digitally or as part of a software program (like book-keeping software).

HMRC can charge you a penalty if your records are not accurate, complete and readable..”

Ask your accountant if they provide a solution or whether they can recommend one.

CREATING INVOICES VIA YOUR BOOKKEEPING SYSTEM

Many electronic bookkeeping systems include an invoicing function that lets you customise a template, generate invoice numbers, issue invoices and track payments.

Make sure your invoices have the following elements:

1. A clear header saying ‘invoice’.
2. A unique identification number – if your business is VAT registered, this needs to be a sequential number, in other words, part of a series, so that the next invoice follows on from the last. (Check the section on VAT in the ‘Get ahead’ chapter to see when you should register for VAT)
3. The name that you regularly use for the business. If it's a limited company you also need to include the full name of the company as it appears in the certificate of incorporation (you can put the main brand name at the top and the officially registered name as small print in the footer). Limited companies can, if they want to, include the names of the company directors on their invoices, as long as all the directors' names are included.



4. Your business address. This must be an address where any legal documents can be delivered to you. If your business is a limited company and the business address is different to the registered address, then the registered address should also be included in the small print.

5. Your company registration number if your business is a limited company.

6. Your VAT registration number if your business is VAT registered.

7. The company name and address of the customer you are invoicing.

8. The date that the invoice is being issued (the tax date).

9. A clear description of what goods and/or services were delivered.

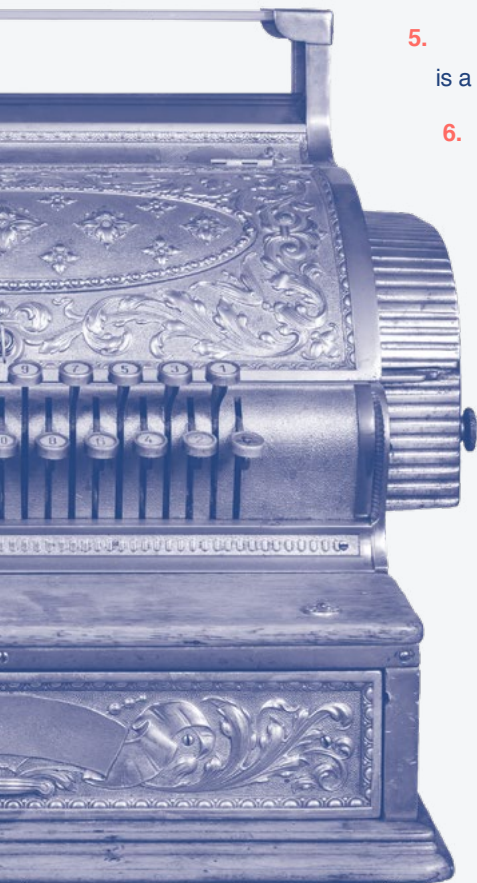
10. The date the goods or services were provided (supply date).

11. A column showing the number of units of the goods or services supplied (for example 3 hours), a column showing the price/rate per unit and a column showing the total for each item without VAT.

If your business is VAT registered, then add three more columns: the percentage of VAT that applies to each item, the total amount of VAT payable per item and then the total amount of each item including VAT. At the bottom show a grand

total of all items without VAT, the total amount of VAT owed and finally, a grand total of everything including VAT.

Note: If you work via an agency, they might ask you to sign a “self-billing” agreement. This just means that they will prepare a combined invoice and payment confirmation for you, based on your timesheet. This saves you the bother of having to bill them.



6. Get a business account

It's very important to keep your business and personal affairs separate. Mixing the two is a really bad idea as it can lead to confusion and complications with tax.

To help you keep them separate, set up a dedicated business bank account.

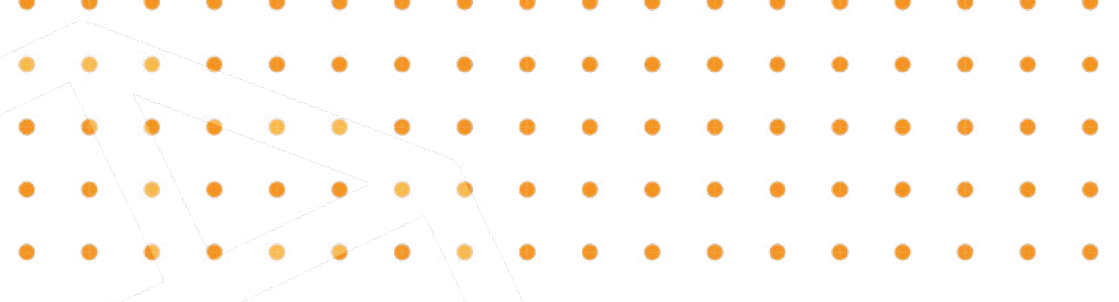
If you have a limited company, remember that it's a separate legal entity (almost like another 'person'), which means the company needs an account in its own name.

The money in that account belongs to the company, not to you. It doesn't belong to you until it's formally paid to your personal account by the company, as either a salary or dividend payment (see the 'Get ahead' section for advice on how to do this).

If you're a sole trader, your business is not a separate legal entity in the same way that a limited company is. However, it still makes sense to keep your personal affairs separate from those of the business. Having a separate business bank account will help you do that.

Some people prefer to have personal and business accounts in separate banks so that the bank can't use knowledge about your business to make decisions regarding your personal finances. However, others prefer to develop a relationship with a particular bank. This can also make it easier to transfer money between personal and business accounts.

You don't need to choose a bank with a local branch. A bank that offers internet banking can also be very convenient – check whether you can download statements in a .csv or Excel format



– that could speed up your bookkeeping as you won't have to enter transactions manually.

Many freelancers choose to run two accounts – a business current account for everyday transactions and a business deposit account to set aside money for tax and VAT. Look for accounts that offer free banking and a good rate of interest on cash savings – you may be keeping thousands of pounds of tax money in there.

Rates vary but should be within a couple of percentage points of the current Bank of England rate. There are specialist small business accounts and high-rate business savings accounts available over the internet and from non-high street banks.

New challenger banks are also appearing such as **www.aldermore.co.uk** and **www.atombank.co.uk**.

For a comparison of interest rates and terms offered by different banks try: **www.moneysavingexpert.com/banking/compare-best-bank-accounts**.

If you're an IPSE member it's also worth asking for recommendations on the IPSE discussion boards – these are very active and you'll find many independent professionals who are happy to share their experiences with you.

7. Get connected

You may already have a phone and email for personal use, but it's better to set up separate services for your business.

Not only does this give a more professional image, but in many cases you should be able to claim it against tax – for example if your mobile is billed to your limited company you can claim the whole amount.

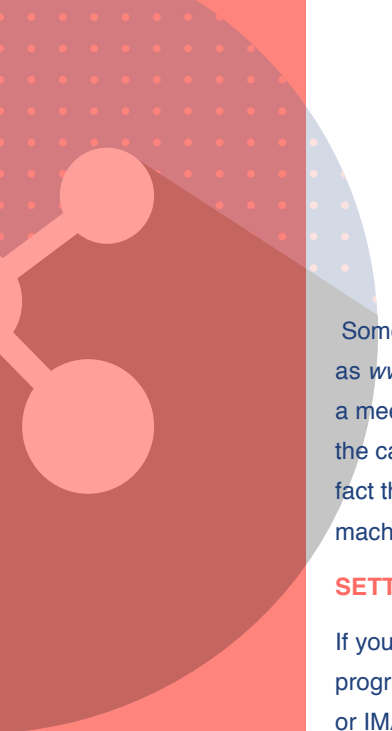
You can check the rules as to what is and isn't allowable in the section on expenses in the 'Get ahead' chapter.

It's important that clients feel confident they can get hold of you. Agencies in particular are very keen to have a reliable mobile number where they can reach you.

Skype has become very standard in business, so it really makes sense to set up an account if you don't already have one. For your landline number you could consider using a VOIP service such as vonage.co.uk or bt.com/voip.

This works through the internet, but plugs into a physical phone on your desk, so it's just like having a landline, as long as you have a stable internet connection. You can choose a phone number with any UK prefix – for example if you live in the countryside but want a London number, you can do that.

With some providers you can even set up numbers in a range of different countries if you have international clients and want to give them the option of dialling a local number. You pay a fixed monthly fee, allowing you to make unlimited calls to specified countries. This can be particularly cost effective if you make a lot of international calls and the people you are calling don't have Skype.



Some freelancers also swear by call answering services such as www.moneypenny.co.uk or www.alldaypa.co.uk. If you're in a meeting, or in the middle of a project, an operator will answer the call in your name and take a message – some clients like the fact that they can deliver the message to a person rather than a machine.

SETTING UP EMAIL

If you're setting up your email using Outlook or a similar programme, it will probably ask you if you wanted to use POP3 or IMAP.

If you're wondering what the difference is – IMAP is the option that allows you to keep everything in the cloud. Select this option to have a mirror image of your email available online, automatically synchronising with all your devices.

Just be sure to keep an eye on the storage space provided by the company that hosts your email as you will stop receiving emails if the storage runs out. However, these days it's usually pretty cost-effective to contract unlimited storage. Using cloud technology effectively allows you to access everything simultaneously on all your devices - computer, phone, tablet, or even from someone else's computer if you're caught on the hop.

“Google Drive allows me to back-up files and share documents as required. With Google Keep, I take notes on the go, upload voice and video memos, produce checklists and assign colour codes to different types of information. Google Mail provides me with email, which I can check on any of my devices. If my computer breaks down, or I lose my phones, all my emails are still available online. I can also share calendars, which is great for team working. To link these all together I use Google Apps, for which I pay a monthly subscription fee. This lets me send emails using my own company domain name, which I think is more professional than using the @gmail.com extension. However, if you don’t need this, you can still use all of Google’s cloud services for free just by creating a Google account.”

Frederique David

Freelance Writer and Tech Adviser

8. Create a professional workspace



Unless you work full-time from your client's premises (which many contractors do), you'll need somewhere to base yourself.

WORKING FROM HOME

Yes you could work from your kitchen table, but you need to consider the practicalities. If you have a family, how will that affect them if there is no division between work and living areas? Even if you live on your own, how will you switch off at the end of the day if you eat, sleep and work in the same place?

As long as you address these issues, there can be many advantages to working from home. You save on the commute, it can keep costs lower, you avoid all the typical office interruptions and 'chat gaps' and it can give you more flexibility to juggle all the different aspects of living and working.

HERE ARE SOME TIPS FOR EFFECTIVE HOME WORKING:

- Treat your working time as seriously as if you were working at an office
- Create hard boundaries between work time and home time
- Make sure those you share your home with see it that way too
- Aim for a definable, permanent workspace
- The right furniture and equipment are essential investments
 - get a good chair, especially if you work long hours at a computer
- Installing a separate telephone line lets you make a clear distinction between your work and home life - when you finish working, let business calls go to voicemail
- Get specific insurance cover for your business equipment
- Make time to socialise, network and meet new people, particularly if you live alone
- If you are freelancing, arrange the occasional meeting with those you work with - personal contact is so much more memorable than email or phone conversations
- Timetable breaks - include sessions away from work to eat, exercise and socialise

Some people create a separation between work and the family by converting their shed into an office or building one in the garden. It's also possible to buy purpose built garden pods, for example pod-space.co.uk or officepod.co.uk.

ALTERNATIVES TO THE HOME OFFICE

Some people find that working from home can be too isolating, or causes too much conflict with the home life, so they prefer to rent commercial office space that is completely removed from the household and 100% dedicated to work.

This can be anything from a hot-desk or shared space to fully serviced offices. As it's your business you can choose the location to suit your needs – you may be able to find a professional and affordable space within walking distance from your home.

One solution that has become very popular is the concept of the workhub or co-working space, popping up all over the UK and Europe. These are flexible, affordable shared workspaces that encourage collaboration and networking. It's this collaboration that differentiates co-working spaces from hot-desking options.

Many of them have a very creative vibe and are funkily designed, giving them a buzz that sets them apart from the usual stayed prefab office space.

WORKING AT THE CLIENT'S SITE

Your client might want you to work at their premises and use their equipment. Sometimes this is unavoidable. However, bear in mind that having your own office and equipment helps to show the tax authorities that you're genuinely in business and not a 'disguised employee'.

Think about it carefully and discuss it with your client. Are there valid reasons why you need to be there every day? For example, do you need to plug into specialist equipment housed at the client site, that you couldn't supply yourself? Do you need daily face to face contact with the project team, or would it work better to have periodic project update meetings?

If there aren't compelling reasons, you may be better off using your own base to work from.

“I was attracted to co-working, and the short commute gets me into the work mindset. Even though I’ve only been here a few weeks I’ve noticed a significant increase in my productivity. I read a study that showed that mixing in diverse social groups produces more innovative thinking and I feel that’s an important aspect of coworking. On a more practical level, the email group has proved helpful – people will chip in with advice. I’m also starting a personal branding exercise, so those different perspectives will be helpful.”

James Holloway
Lighting Consultant

9. Plan

Creating a simple business plan really focuses the mind. It forces you to think about where you want to get to and helps you craft a compelling pitch that will get clients excited about working with you.

No need to make this process too laborious - things will inevitably change as you respond to the realities of the market. As Mike Tyson used to say, “Everyone has a plan until they get hit.”

You’ll therefore need to strike a balance between maintaining a clear direction while still remaining flexible enough to seize opportunities that present themselves. Here’s a simple structure to help you get some thoughts down on paper:

VISION

Why are you doing this? What impact do you want to have? This isn’t about money – it’s about your ultimate legacy.

Take Elon Musk, for example. He’s the founder of Tesla electric cars and SpaceX, the rocket company that’s disrupting the space industry.

His ultimate vision isn’t to make electric cars or rockets – it’s to save mankind by making it possible to colonise Mars.

A pretty lofty vision and, some would say, completely mad.

Yet this is the thing that gets him out of bed in the morning and spurs him on to build several multi-billion dollar companies in the process.

This goes to show that it really doesn't matter how realistic the vision is. Unlike goals (which we'll get on to) the vision doesn't need to be achievable. But it's really valuable to have one because this is what gets you through those tough times that you will inevitably face when you're working for yourself.

When you know why you're doing it, you'll have the motivation to weather the storm. Try to capture your vision as a pithy single sentence.

The Alzheimer's Association has a neat one: "Our vision is a world without Alzheimer's disease".

Stick it on your wall and you'll be surprised how powerful this can be. It encourages you to live by it, which makes it more likely to come true.

MISSION

The mission is a bit more practical, focusing on the here and now, rather than the desired outcome in the future. It's about what you do, who you do it for and how you do it. This can be a short paragraph.

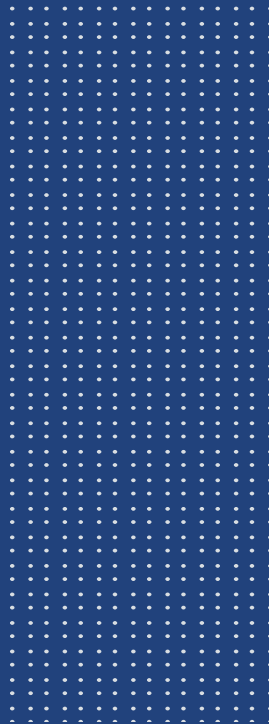
For example, the Alzheimer's Association's mission is: "To eliminate Alzheimer's disease through the advancement of research; to provide and enhance care and support for all affected; and to reduce the risk of dementia through the promotion of brain health."

GOALS

Unlike the vision, your goals should be achievable.

SMART goals are: Specific, Measurable, Attainable, Realistic and Targeted. You can set goals each year or each quarter, based around things like the number of clients you want to have, the type of clients, revenue, profit and so forth.

So don't just say, "I want to make more money this year." Instead, make it a SMART goal by saying "I want to earn 100K



this year by doubling my day-rate and landing two 3-month contracts at the new rate.”

Oh, and if you’re thinking that doubling your day-rate falls short of the ‘R’ in SMART, then you might be right, but you won’t know for sure until you try it.

To judge what is realistic, it’s better to have hard evidence, rather than just guessing.

One of your goals could be to test the new rate by pitching it to 20 people. If you get 20 rejections, then maybe there are grounds to reconsider the rate. One or two rejections wouldn’t be enough to constitute hard evidence - there may still be people out there willing to pay the higher rate, just that you haven’t found them yet.

Another thing to consider when setting goals is how your goals will affect the other people who depend on your business, such as family. Are your business goals compatible with their personal goals and aspirations?

PITCH

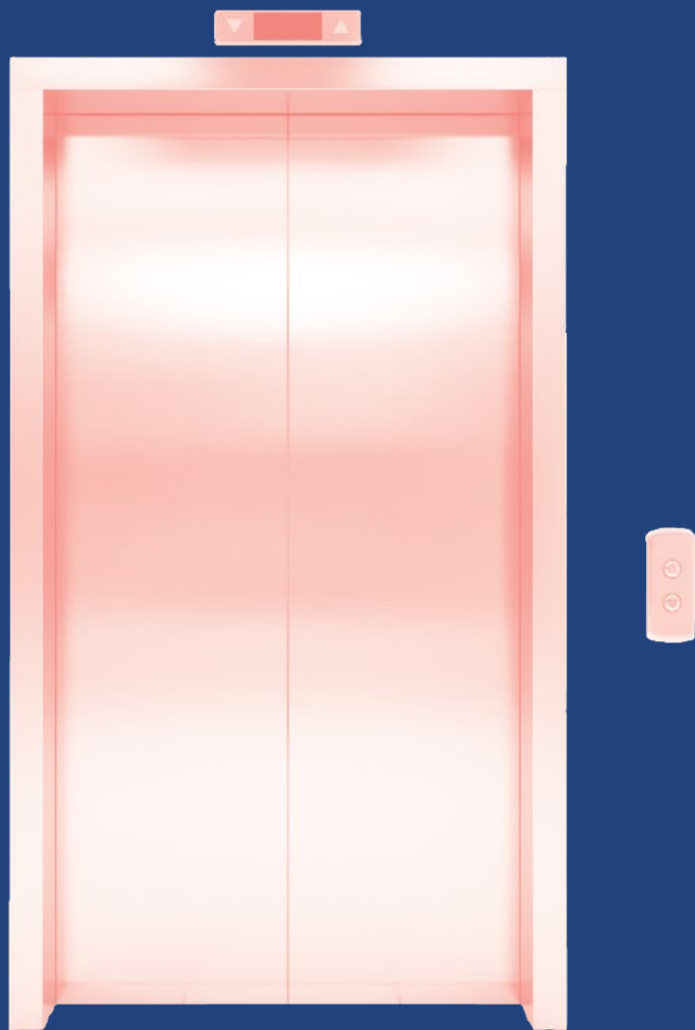
Your mission statement should give you most of the content you need to write a compelling externally facing pitch that you can drop into conversations with potential clients. A pitch is a short statement that conveys your value proposition. Americans call it the ‘elevator pitch’ because it should be concise enough so that you can say it to someone you meet in a lift.

This is what your pitch might look like:

“I’m a [insert broad descriptor, eg ‘structural engineering consultant’]. I work with [insert the type of client you work with, or want to work with, eg ‘FTSE100 engineering firms’] to [insert how you solve the client’s problem, eg to ‘build suspension bridges in politically unstable areas’]”

Notice the last line “in politically unstable areas”?





This is an example of someone who has found a niche within a niche, creating a unique differentiator. There may be lots of people who can build suspension bridges, but how many can do it in a warzone?

It really helps your pitch to stand out if you can create a very defined specialist solution. Trying to be all things to all people makes for a very weak pitch.

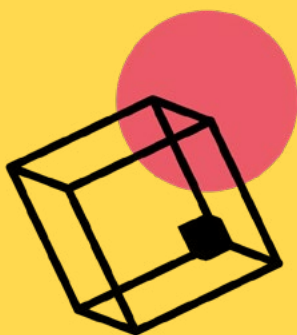
Clearly some specialisms have more natural drama attached to them than others. But that doesn't mean that a potentially dry topic can't sound exciting. The key is to identify a problem that is causing a particular group of people a lot of pain. As long as you know how to take away their pain, it will sound extremely exciting to them! And what's more, your awareness of the amount of pain you're relieving will help you inject passion into the pitch.

A useful tool to help you craft the pitch is the Value Proposition Canvas, which you can download at:

www.businessmodelgeneration.com/canvas/vpc

OTHER AREAS YOU MAY WANT TO THINK ABOUT

- What kind of person is likely to be your best client? What is their job title and what kind of company do they work for?
- What are the trends in the industry where your client works? Is it a volatile market? Is the industry growing, or is it starting to decline?
- What is your pricing model? Will you charge an hourly/daily/weekly rate, a project fee, or some other revenue generating system such as a membership subscription?
- Who are your main competitors and/or collaborators? What are they doing?
- What are your strengths, weaknesses, opportunities and threats?



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