

# WorkStyle

The Publication for Today's Contractor



*in this issue*

# THE **BIG** CONTRACTOR SURVEY

Writing a  
**Killer CV**

**Expenses**  
Myths, Truths and Tips

**Umbrella Vs. Limited,**  
The Best Route For You

**clearsky** | **parasol**  
contractor accounting  
*with you all the way*

# a word from our CEO

*From speaking with the thousands of contractors we've worked with over the years, that moment you take the leap into contracting is both exhilarating and nerve wracking in equal measures. Our motto here at ClearSky is that we'll be with you all the way, so that's exactly what this guide is all about; to help you in all aspects of working as a contractor. We've offered a selection of topics we believe will help you get a better understanding of contracting and to arm you with the knowledge around some of the more taxing (pardon the pun!) parts of this industry.*

*We hope you enjoy this issue.*

*All the best*

*Derek*

**Derek Kelly**  
**ClearSky Contractor Accounting CEO**



# WorkStyle

## A note from the Editor

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Contracting. It's big business.

In fact, did you know that there are approximately 4.8 million self-employed people in the UK according to recent studies? And that number just keeps rising. Going it alone is proving to be a hugely attractive option when it comes to a career choice and is critical to the UK economy (contributing £225bn\*).

But how do you get into the world of contracting? Is it by chance? A stroke of luck? Divine intervention? Or, is it just bravery to get up and do it?

In all honesty, it's all of those things and then some.

As one of the UK's leading contractor accountants, we work with thousands of people who've taken the big leap. All their reasons are as unique as they are.

But there are some common trends you pick up on.

People go self-employed because their friends say they should. Because their permanent role has changed completely (or has disappeared entirely). Because they actually believe in their ability to deliver whilst increasing their earning potential.

And that's why we've launched our first issue of *WorkStyle*.

We wanted to give a voice to the people we work with. For them to tell their story and inspire the next generation of self-employed superstars.

Contracting is one of the untold ways that the modern-day workforce is becoming a flexible workforce.

And we hope you can see why.

*\*<https://www.ipse.co.uk/our-work/policy/ipse-manifesto>*

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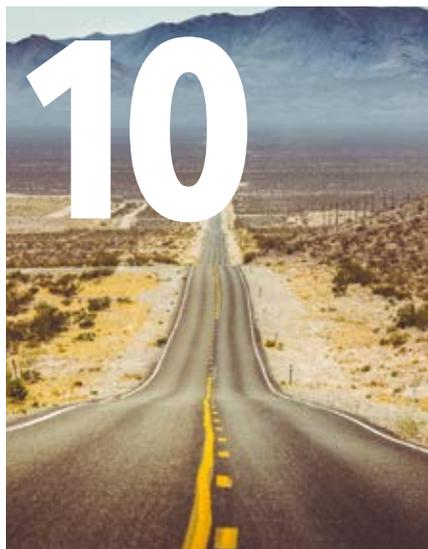
## The Big Contractor Survey

We ask hundreds of freelancers to share their advice on going self-employed.



### First Steps

The pros, cons and middle ground to consider.



### Umbrella Vs. Limited

Which route is best for you and your needs?



### Expenses

From travel costs to clothing, we lay out what you can and can't expense as a contractor.

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# The First Step

## Moving from Employee to Contractor

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Ask yourself a couple of questions. Are you looking for a new challenge? Are you being challenged in your current role? Do you want more flexibility to fit work around your lifestyle? Has your job changed dramatically or is it under threat? Or maybe your eyes light up at the prospect of doubling your earnings?

Whatever your motives, moving into contracting is a brave step. Before making the move, it's important to understand exactly what you're getting into. The good, the bad, and even the ugly.

*“The first step  
toward change  
is awareness.  
The second step  
is acceptance.”*

**Nathaniel Branden**

## THE PROS

- You can earn up to twice as much as a permanent employee
- You can claim for expenses incurred as part of your working day
- You have the chance to develop existing skills and acquire new ones
- You'll be able to experience different company cultures and management styles
- You can work in a variety of different industries and markets
- You experience something new with each opportunity (no contract is ever the same)
- You're your own **boss**

## THE NEUTRALS

- You're responsible for finding your next job, meaning you have to be proactive
- You're responsible for negotiating pay and working conditions
- You'll need to brush up on your networking skills and have the confidence to sell yourself
- You're on your own (which could be a plus or a negative)

## THE CONS

- You only get paid for the work you do
- You may need to commute long distances
- You aren't entitled to any holiday or sick pay
- You aren't entitled to those permanent employment benefits (healthcare, pensions, childcare vouchers, free gym membership)

# SHOULD I STAY ( P E R M A N E N T ) OR SHOULD I GO? ( C O N T R A C T I N G )

There's certainly a lot you need to consider. Yes, it is a risk and if you've never been self-employed before, you will certainly be jumping into the unknown.

But, we've worked with thousands of people who've taken that brave step. And more often than not, they've never looked back.



# Mammoth

There are hundreds of myths from every corner of the world. The existence of Bigfoot, you can see the Great Wall of China from space, a duck's quack doesn't echo. The list goes on. But whilst some of these are rightly dismissed (or wrongly if you're Bigfoot), there are more than a handful floating around in terms of contracting.

We're here to shut these myths down! Put them to bed if you will. Here are the Top 5 Myths that you can now ignore:



# Myths

## **MYTH: I'm not good enough to go into contracting**

**YES** you are. You don't need to be the number one expert in your field to make it as a successful contractor. The demand is driven by the need for a flexible, skilled workforce and there are opportunities available for people at all levels.

## **MYTH: Contracts are always the tedious projects no one else wants to do**

**WRONG.** Contracting is as interesting and varied as permanent work. A lot of opportunities come about when a business needs a special skill gap filling or when they have a new project that requires extra workers. And remember, you also have the freedom to pick and choose which sorts of jobs you go for.

## **MYTH: Contracts will always go to the best person for the job**

**NOT** necessarily. You might have all the skills and knowledge to be able to do the job, but if you don't know how to sniff out opportunities and win the business, then it doesn't matter. This is why it's vital to ensure you have a high-impact CV (which we'll get onto later), ensure you manage your personal brand and build up effective relationships with potential clients. It's not just about **WHAT** you know; it's about **WHO** you know!

## **MYTH: I can make up my rates as I go along**

**NO NO NO NO.** Rates are determined by market demand and it's crucial the rate you charge reflects your skills, as well as the industry norm. Underselling and overselling yourself can prove to be equally damaging when trying to secure opportunities.

## **MYTH: If I become a contractor then I'll have to deal with all the hassle of tax and IR35 by myself**

**NOPE (and this is a shameless plug).** Just because you're a freelancer doesn't mean you have to fly completely solo. An umbrella company or specialist accountant (like us!) can help ease the pressure of paperwork, navigate all the legislations and help you make a success of your chosen career.

So there you have it, the myths have been busted (barring the Bigfoot one).

# Which ROUTE is best?

## Umbrella or limited? Limited or umbrella...?

Did you know that you have a couple of options if you decide to go down the freelancing route? You can go with an umbrella company (like Parasol) or you can set up your own limited company (through ClearSky). When you're new to contracting, it can be difficult to determine what route is best for your individual needs.

We're here to help! Over the page are the two most common set ups. And if you need any further support, you can always call one of the team!

# Go Limited

## A LIMITED COMPANY IS A GOOD CHOICE IF:

- ✓ You're working on multiple projects
- ✓ You want to maximise your income
- ✓ You've decided to commit to it for the long-term
- ✓ You're happy to take on the extra responsibility
- ✓ You have a specialist contractor accountant to take over the majority of your paperwork
- ✓ You're happy to manage your own finances and set aside money for tax

## A LIMITED COMPANY IS NOT SUCH A GOOD CHOICE IF:

- ✗ You don't want any hassle or responsibility at all
- ✗ You can't get your head around the basic principles of tax, IR35, NI contributions etc
- ✗ You want to pay tax as you earn (PAYE), instead of being landed with one big tax bill
- ✗ You earn below £25,000 a year

### What is it?

*If you see yourself in this for the long term and want to see the results of your hard work rewarded with the most money possible, then going limited is a solid route. You're the director of your own Personal Services Company (PSC) and essentially commission your services to a client.*

*Running your own business comes with a certain amount of responsibility. You'll have to set it up for a start, arrange insurance, look after your finances, check your IR35 status and make sure you're paying the right tax. That's why a trusted, expert accountant is essential.*

# Thinking Umbrella?

## AN UMBRELLA COMPANY IS A GOOD CHOICE IF:

- ✓ You only plan to be a contractor for the short term or you want to test the water and try it for a while before committing
- ✓ You have a natural aversion to paperwork and don't like the idea of completing tax returns
- ✓ You travel medium to long distances and are eligible to claim travel and subsistence expenses

## AN UMBRELLA COMPANY IS NOT SUCH A GOOD CHOICE IF:

- ✗ You're happy to take on the responsibility of your accounts
- ✗ You don't have internet access
- ✗ You can't claim much by way of travel and subsistence expenses
- ✗ You're a high earner, over £25,000 a year

### What is it?

*If you're just starting out and aren't sure yet as to whether it's right for you, using an umbrella company is the ideal option. They essentially act as an intermediary between you and the company you contract for. You're employed by the umbrella company and, for a fixed margin, they handle all the admin concerns (i.e. invoicing, tax, VAT and National Insurance Contributions).*

*Although you're on their payroll, your pay will be determined by your specific contract agreement. They'll invoice, chase and retrieve your money for you. They'll also help you claim back all your legitimate expenses, offsetting them against tax.*

Want to learn more about going limited, or interested in joining an umbrella company?  
Call **our best advice team** on **0800 276 1575**.

# THE DIARY OF A CONTRACTOR

***It's all well and good us telling you what it's like to be self-employed, but surely hearing it from someone who's been there and done that is a little better?***

**We agree.**

***Without further ado (and without naming names), we look at some of the reasons why people have made the move and how the increased flexibility has allowed them to spend more time on the things that matter.***

## **The Secret Contractor**

Contracting never felt like a plausible option when I was a permanent employee. I'd heard whispers of high rates of pay and a better work/life balance during my time as a technology journalist and then web developer, but shrugged off these benefits as simply being "too good to be true".

## **How very wrong I was.**

I dabbled with freelance work for a few years, but one day decided to jump in at the deep end and leave permanent employment.

This was not an easy decision. Lack of security was a primary concern. I have a young family and a long-term mortgage. The idea that I would not receive a monthly pay cheque, or any of the employee benefits from working a 9-5 job, was quite frankly terrifying.

I am also a stickler for forward planning and the inability to forecast my income and future career path was particularly unsettling.

Then there's the confusion about taxes, setting up a business and running my day-to-day life - is it really worth the hassle?

Yes, it is.

For every concern, there was a far weightier benefit. A lack of security is matched by incredible flexibility and high rates of pay. Quiet periods give you time to re-educate yourself and re-evaluate your career. And the transition from permanent employment wasn't as confusing as I expected.

## **Why did I make the move?**

There are many reasons to move into contracting and it's a personal choice based on your circumstances.

For me, the decision was based around two factors. Firstly, I began to feel frustrated with the structure of permanent employment. I loved my role as a web developer and the company I worked for - but I can now choose to work on topics that really interest me. I can structure my working day and completely control my environment. Being my own boss is sometimes daunting - but it is also what drives me to work so hard on projects that inspire me.

Secondly, I have a young family so the flexibility and better work/life balance of contracting is a huge benefit. There's no commute so I can now drop off and pick up my sons from school. I can take some time off during the usual office hours - and make up my hours at a more convenient time. I can work to my family's timetable - instead of my work dictating to everyone else's timetables.

## **What was the plan?**

Once I had sorted my unique selling point and identified a target audience, I needed to know how to connect the two. Word of mouth as a specialist freelancer was my strongest ally. That almost goes without saying in this market.

A strong social media presence is also important. For me, Facebook was a huge failure - it did not match my core audience and I quickly closed down my branded page. However, if you're a Facebook developer, it's an obvious route. LinkedIn and Twitter have been great ways for me to reach out, network and pitch for work though - you just need to try a few platforms and see which works best for you.

I realised that I should try to write a blog on my website in order to improve my search rankings and get people interested in me. I first found out which media sources my audience used, researched the types of content they provide and pitched ideas to editors.

I now write on a regular basis for an industry publishing house. This has opened the doors to other companies who are looking for contractors. The work has snowballed in all honesty.

## **So what are my top tips?**

If you do decide to take the plunge and make the move to contracting, then there's plenty of excellent advice out there. This list is by no means exhaustive, but here are five bits of advice I would pass on based on my experiences:

## GET A SPECIALIST ACCOUNTANT

1

- There are many benefits to hiring an accountant, from having someone to fill out those pesky HMRC forms or giving advice on the nuances of IR35, but the emphasis here is to find a specialist accountant.
- It's vital to find an accountant who understands the industry that you work in and the wider market. Those with such specialist knowledge can advise on any implications of legislative change and offer industry-specific insights.
- Don't be fooled by seemingly low rates. Try to find an accountant that offers a fixed rate package, personal advice and is upfront about the services on offer - otherwise you could waste a lot of money and get little back in return.

## GET MOTIVATED

2

- The contractor life can be challenging. I have weeks where my feet do not touch the ground and others when I have some spare time. A little downtime is great to clear your head, but make sure you stay motivated in quieter periods.
- There are many ways to achieve this. Training is an obvious choice to boost your CV and many organisers will offer discounts to last minute applicants to fill spaces on a course. You should also pitch for work on a regular basis and update your CV at the end of each job. Write a blog, get involved on LinkedIn or contact old clients.

## GET YOUR OWN BENEFITS

3

- Hello contracting, goodbye annual leave, sick pay and a raft of other benefits of permanent employment.
- However, the rates are higher than permanent pay rates so make sure you invest some of that extra cash in yourself.
- Sign up to private healthcare, take a one-month sabbatical or join the gym (you'll also be able to go in off peak times) - make the most of the flexibility of freelancing by choosing the benefits that mean the most to you.

## GET INVOLVED

4

- The freelance community is a great space to network and alleviate the solitude of working alone. Find out about local freelance and small business events in your area. These are also a great resource to find additional work as word of mouth is often your most powerful marketing tool.

## GET A LIFE

5

- Working for yourself can be a little addictive. Once you become your own boss, the more you put into your work, the more you will get out of it.
- This can mean that you end up burning the midnight oil to make a deadline or take on too much work because it's tempting (particularly in the early days) to say yes to everything. After all, more work now means more money. But try to be selective - pick jobs that build your skill set, enhance your expertise in the market and pay well.
- It's also important to make time for yourself. Schedule in holidays. You may even make the conscious decision to just work for six months of the year and then take the next six months off.
- And that's the beauty of contracting - you set the pace and reap all the rewards. It's not just a plausible option - it's a brilliant way of working.

# Writing a Killer CV

***Let us ask you a question. Have you looked at your CV recently? Yes, it's only one part of getting your foot through the door, but does it do enough for you?***

***As a contractor, your CV needs to tell potential clients that you are perfect for the job and it will become a vital tool for you to win business.***

***Here are a few tips and tricks to help you get yourself ahead.***

## The “New Contractors” CV

Don't be put off when you're first coming into the contracting world and have no actual contracting experience – everyone starts off this way. But how do you get around this?

Easy. It's all in how you communicate your past experience.

When stating your previous experiences, instead of writing a description of the role you had for each one, simply showcase the skills which you've gained and how these have helped turn you into someone who should be taken seriously. The aim is to demonstrate that you have the skills to fill a gap that the client is looking for.

Of course, over time, your experience will build and there'll come a point where there's no need to include permanent roles anymore (unless they're extremely important ones).

## Structuring your CV

Structure plays an important role in finding opportunities. No one wants to end up in the 'no' pile. There are no set rules for writing your CV, but here is a handy breakdown to follow:

- A short paragraph about you and your career to date
- Your specialist skills (not the ones associated to Liam Neeson in *Taken*)
- Your previous experience
- Your professional qualifications
- Your education
- And finally, your references

One other difference from a traditional CV is that you're advertising yourself on what you can offer for that particular company, instead of what you've done previously. Showcasing your portfolio and client base are the main drivers for most hires.

You should try to portray yourself as an asset to a company, someone who has specialist knowledge. They need to be able to see this through your CV. Outline exactly what skills you have along with what you can offer them in the position. Remember, they're looking for someone who has the exact skill set required for the project.

Your previous experience is relevant of course, but it only shows what you have done for others, not what you can do for them.

## Check you're your grammar

Grammar, spelling and getting it proof read are vital in your application process. Just think, would you trust someone with getting the details right if their application had grammatical and spelling errors?

We doubt it.

Ensure that what you've written makes sense. Leave it for a day or so then read it afresh. You may be able to spot something you would have overlooked before.

## Include something original

Some may believe that having a profile picture included is a good way to personalise their CVs. Some may also automatically place you in the 'no' pile. So what can you do to stand out?

Well, we'll leave that up to you as there's plenty of inspiration around. We've seen people include a QR code that links to their LinkedIn page. Others have made their CV an interactive piece of software on the web. People have even asked us to have a drink on them by including a tea bag in their application!

## The proof is always in the proofing

Another crucial part of the process is actually having your CV read by another person or two. Having someone else look over it means they have a fresh approach to the piece and may be able to spot small mistakes that you could have missed.

All of the above could be the clincher between getting an interview and not. Incompletion of this could result in your CV being discarded for the contract position. So, do ensure that these steps are followed to help you increase the chances of being offered that dream opportunity.



THE

# BIG

# contractor survey

Starting something new can be both exciting and daunting, especially when it comes to going it alone. As with everything, there's a lot to think about before you make the jump.

Earlier in the year, we surveyed hundreds of our clients to ask them a simple question.

## **"What would you say to anyone who wants to go it alone?"**

144 people got back to us with their views, advice and general pearls of wisdom. These are people from a host of backgrounds, including IT, Finance, Telecoms, Advertising and Education. They've been contracting for over 788 years in total. So it's safe to say they know a thing or two when it comes to the world of the freelancer.

We're delighted to present to you the combined results of all that knowledge and advice. Ladies and gentleman, this is ***The Big Contractor Survey of 2017.***

# Q1) Looking back to when you first started out as a freelancer, why was it so appealing?

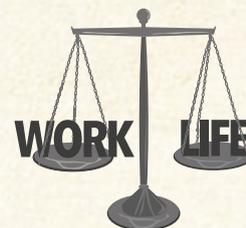
## 1. CASH IS KING

Money talks and it definitely did to our sample audience. This was by far and away the most popular reason as to why our respondents took the plunge. They realised they could earn more by moving away from the “shackles” of permanent employment.



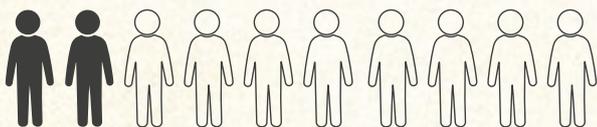
## 2. FLEXIBILITY

Admit it; working the hours that suit you on projects you love is a big draw. Achieving the fabled work/life balance by working for yourself is a huge plus wouldn't you agree? The opportunity to be able to spend more time with your kids, book that last minute holiday or even take up yoga (ironically to become even more flexible) all came out as big draws in our survey.



## 4. LACK OF PERMANENT ROLES

Looking for a new job can be frustrating and at times prove difficult. Where do you turn to when there simply isn't the right role for you (the answer is contracting of course!)? Variety is certainly the spice of life for our sample audience.



## 3. REDUNDANCY FROM PERMANENT ROLE

The dreaded R word. It's never ideal when you're faced with losing your job. But our sample audience offer encouragement! Yes they were upset. Yes they were angry. But after the dust and disappointment had settled, they used it as an opportunity to immerse themselves in a new career path.

## Our advice

More money, better flexibility and redundancy. Yes there are other reasons why our sample audience went down the self-employed route (the opportunity to experience new industries, work with new people), but it always comes back to one important aspect, YOU!

Something will click one day and if you're serious about going it alone, you'll ask yourself one simple question, "why don't I just do this myself." And do you know what? You won't be alone.

# Q2)

## Before you started, were there any changes you made to prepare yourself for becoming your own boss?

**DOUBT.** It can creep in from anywhere. A hundred and one things will rush through your head when you're thinking about your next career move. One negative thought, particularly when you face the prospect

of bringing in your own income, can topple the best placed plans. We're here to tell you that things don't need to change. Not drastically anyhow. Why? Because it's really easy to get into.



That's **70%** of our sample audience. And what of the other 30%? Well here's their advice to get you in the best shape for starting out:



Build your network and contacts



Start saving money before you became a contractor



Research is key



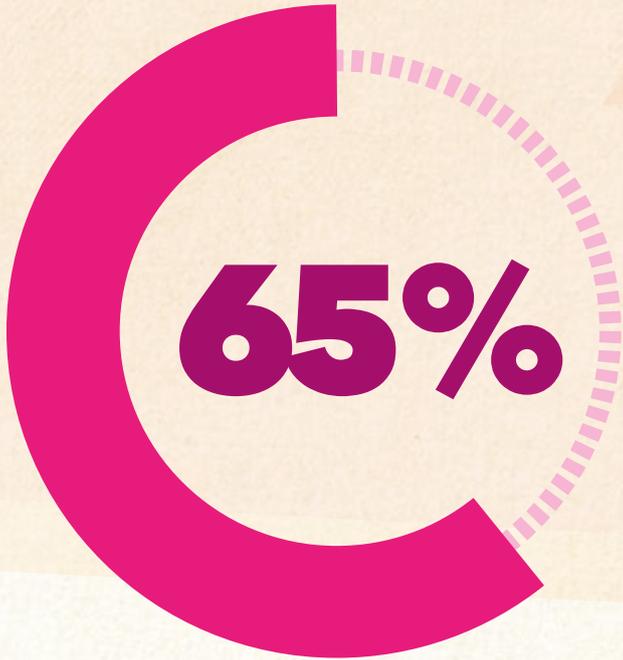
Update your CV and LinkedIn profile

### Our advice

It's best practice to prepare for important life events, but sometimes you can jump straight in. As bold as it seems, our

clients just went for it (and it worked out for them). To use a famous quote from Nike, our sample audience say "Just Do It".

## Q3) Were there any barriers or challenges you faced before, during or after your first contract?



**of people had no issues.**  
But those that did cited the following:



- |   |   |  |
|---|---|--|
| <b>1</b> They had to rely on themselves now to bring in an income | <b>2</b> They weren't sure on what extra skills were needed | <b>3</b> There was uncertainty around winning new work |
| <b>4</b> The thought of doing all of the admin was daunting       | <b>5</b> Having to market and promote themselves            | <b>6</b> Not having permanent employment benefits      |

### *Our advice*

The first contract is always a biggie. The key hurdle to get over is around (again) doubt. Having to rely on yourself is one thing. Thinking that you don't have the knowledge or skills

to do a job is another. Make sure you're constantly challenging yourself to overcome these barriers. Training, networking and even talking will all help.

# Q4)

## What are the most important traits and skills to be a successful contractor?

### QUALITY OF WORK 01

No doubt this is the most integral point of what it takes to become an outstanding contractor. The evidence suggests that people are hired for their expertise in a particular industry or task. Employers (or should we say your future clients?) don't just want something that's mediocre. You need to exceed expectations and deliver to your highest standards.

### EXPERIENCE 02

You know the age old adage don't you? "Been there, done that?" How true it is for your prospective clients and employers. According to our survey, they're looking for people who have proven backgrounds and skills that are integral for their projects success. Contracting is very much an industry built on reputation and reviews. So it's essential you have knowledge and examples to draw upon for future opportunities.

### PERSONALITY 03

Although not as essential as the previous two, nobody wants a disruptive worker in their team. The best analogy we heard is that you need to be **like a chameleon**. You must adapt to your surroundings and be flexible to the needs of each business (including their departments and employees). It's critical that you blend in with the business to make sure the task is delivered upon.

### EFFICIENCY 04

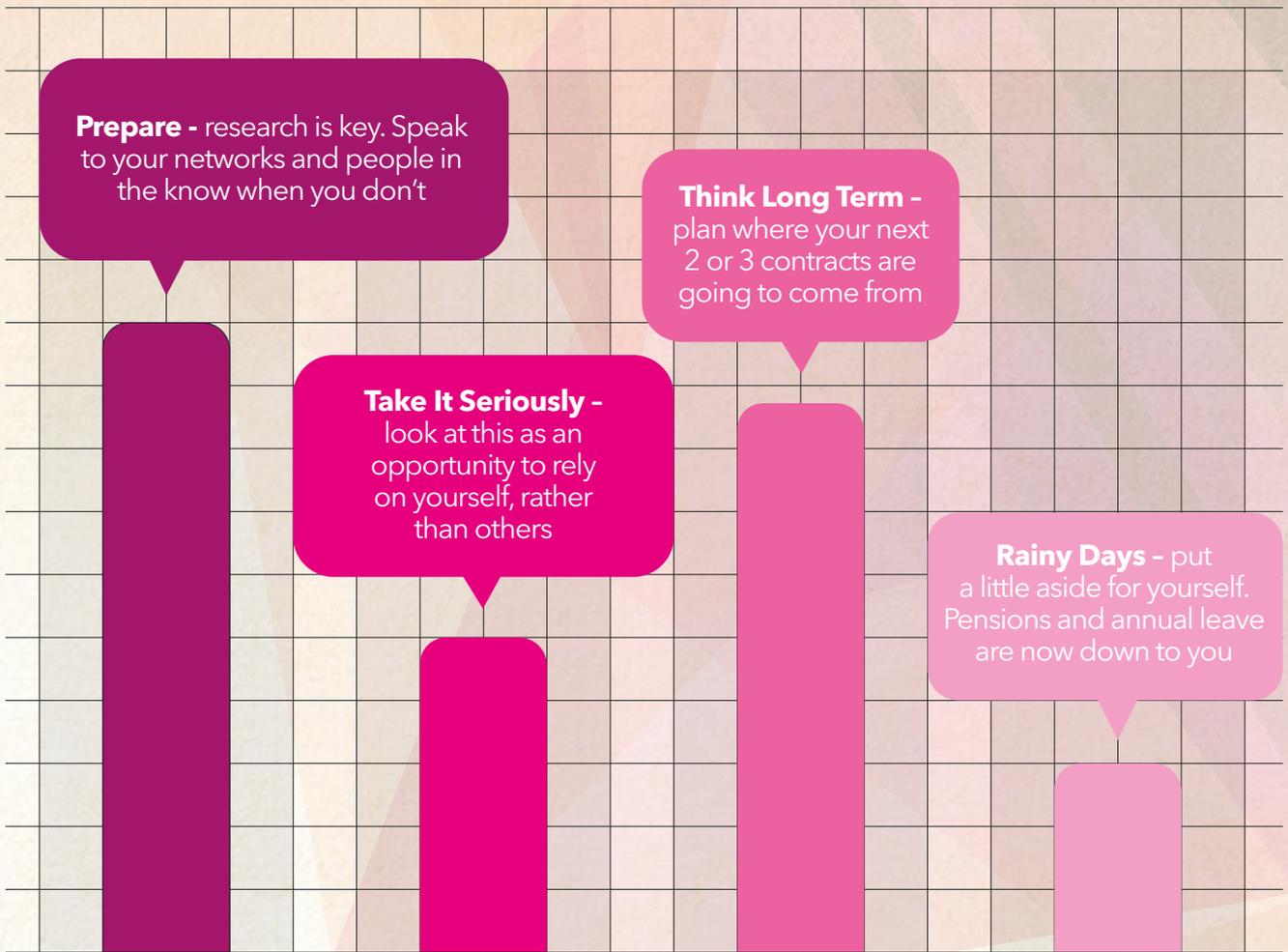
If you're successful in winning a contract, you're brought in for a specific amount of time. Most businesses have strategies which revolve around teams performing projects or tasks in a set timeframe. The advice given is that you need to combine quality with speed and not be the reason why a project is lagging.



### *Our advice*

In essence, your skills pay the bills. Drawing upon what you *really* excel at whilst understanding the needs of your client will certainly see you go far.

# Q5) What piece of advice would you give yourself if you were starting out again?



## Summary

When you go it alone, it's all on you. Yes there are people (like us) who can support you through thick and thin, but you sit at the top of the tree. The decisions you make, the work you do and the relationships you build can impact you for years to come.

# Cats and Dogs

Martin and Laura

We should have a cat

No. We should have a dog

We should have a terrace, I love to see roof tops

We should have a garden

Top floors are quieter

Top floors are smaller and don't have gardens

I want lots of different rooms

I love open spaces, walls make spaces smaller

It's not going to be easy

It's going to be fun. We'd need to get a mortgage

I'm contractor, wont that make it difficult?

I heard CMME can help contrators

We could try. What's their website?

[CMMEmortgages.com](http://CMMEmortgages.com)



Promotional feature



**CMME**  
helps contractors and other  
independent professionals  
buy the home they deserve

**C | M | M | E**

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shouldn't stop you getting  
the right mortgage.

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*I to the R  
to the 3 to the 5...*

# What is IR35?

## **When was it brought in?**

Strictly speaking, IR35 is a set of guidelines directing how contractors should be treated for tax purposes by the companies that employ them. The 'IR' part of the name stands for Inland Revenue and '35' represents the number of press releases in which the initiative was announced back in March 1999 ([nationalarchives.gov.uk](http://nationalarchives.gov.uk)).

## **Why was it brought in?**

During the 1980s and 90s, there was a growing number of contractors operating via Personal Service Companies. By the late 90s, an increasing number of employees began leaving their jobs, setting up a limited company and returning immediately as a contractor to do the same job – purely to reduce the amount of tax they pay. The government brought in IR35 as a means of tackling contractors who played the system in this way.

## **Who has got to pay it?**

If you operate through a limited (or personal service) company, then IR35 is something you need to be aware of. People who are **considered employed are inside IR35** and subject to higher tax, whilst those deemed self-employed are outside of IR35. However, if you **operate through an umbrella company**, then you are effectively an employee so you **won't need to worry about IR35**.

## **Who's inside and outside of IR35?**

Firstly, this is a very difficult question to quantify on paper. Here, we'll give you a top down view of some of the elements, but this isn't comprehensive. IR35 regulations are extremely complex and you're best speaking to a dedicated accountant who can advise you on whether you're inside or outside of IR35.



**Control:**

Are you free to work under your own control i.e. not managed by the client?

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**Financial risk:** Although profit share is common place in the employed world, it is without exception in owner managed companies. Also, employees rarely risk financial loss by being employed, whereas if you buy assets such as PCs, laptops, servers, printers, office equipment or a client fails to pay you as director of your company, you will most definitely experience financial loss.

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**Substitution:** In your contract do you have a clause about using somebody other than you to perform the task your company has been contracted to do?

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**Provision of equipment:** Will you be using your own equipment? Sometimes this is very difficult and allowances are made where security measures prohibit the use of say using your own laptop.

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**Right of dismissal:**

Do you have a fixed notice period? Inland Revenue will argue that this is like an employee, therefore there should be a provision for immediate termination should the client choose to do so.

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**Employee benefits:** Plainly speaking, you can forget about receiving any holiday pay, sick pay, pension contributions, training courses, Christmas dinners or the annual staff summer outing.

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**TO NOTE** – HMRC *not only look at the above, they review **everything** in an effort to establish if you are really an employee or a director running, managing and controlling your own limited company.*

Again, please do feel free to call us on **0800 276 1575** if you need clarify your IR35 status.

# LTD Expenses Guide

## **What's a business expense?**

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In a nutshell, costs that are incurred wholly and exclusively for your business can be claimed as business expenses, which means that you'll receive tax relief on the costs. That's pretty handy. It's worth taking the time to understand what you can and cannot claim. Please bear in mind, this can change each tax year.

## **What costs cannot be claimed as an expense?**

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Essentially, anything that's not wholly and exclusively for the use of your business is NOT an expense. Some common examples include most medical treatment costs, gym membership, parking fines and speeding tickets, even if they're incurred on business trips (top tip, don't be late to any meetings!).

## **How do I claim business costs as expenses?**

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It's incredibly simple. If you pay for the expense yourself, then you'll need to complete a bank transfer or write yourself a cheque from your limited company bank account to your personal bank account. If the expense cost is taken directly from the company bank account then each amount must be recorded so that you can accurately calculate your profits.

## The typical contractor expenses

As a limited company (operating outside of IR35), you may well be able to claim costs if they fit this description, including:

### Accountancy Fees



You may wish to hire an accountant (hello!) to take care of your personal and business taxation requirements. As this cost is directly related to the running of your business, it can be claimed as a business expense. Other professional fees such as legal fees could also be claimed.

### Business Travel



If you're required to travel for your business, then you're able to claim it back. You can claim mileage of 45p per mile for the first 10,000 miles travelled in a financial year and 25p per mile thereafter (as of August 2017). This amount covers fuel and any wear and tear on your car. If you take a passenger in the car with you then you are able to claim an extra 5p per mile. If you travel via public transport you're able to claim the cost as an expense as long as you keep the receipt. Toll fees, congestion charges and parking costs are also able to be claimed as expenses.

### Accommodation



Do you have a long journey ahead in the name of fulfilling a contract? That's something else you can put on the expenses tab. This can also include meals and a small amount per day for personal items.

### Mobile Phone Bill



If you use your phone entirely for business, then you're able to expense your entire phone bill. However, most contractors will use their phone for both business and personal use. In this case only the minutes and texts that have been used for business purposes are able to be expensed.

### Stationery



Branded stationery such as letterheads, envelopes, pens and other items are claimable as expenses if they're used solely for business use.

### Training Courses



If it's wholly and exclusively for business purposes, then the cost can be expensed.

### Clothing



As a general rule, clothing that could be used as part of your everyday wardrobe cannot be claimed as an expense, even if you only use them for work. The items you can put down as a business expense includes branded uniform items and protective work clothing.

*The*  
**OTHER**  
**SIDE**  
*of Contracting*

**Granted, there's a lot to take in, but we're not quite finished yet. The legislation, expenses and how you structure your earnings are integral. But there's a whole other side to the wonderful world of a freelancer. These are the bits that some may not think of, or even dismiss.**

***Do so at your peril!***

We can look after all of your umbrella and limited company needs, but the rest really is down to you (although we can help you with any logo designs, business card production and web design needs).

## It's all about your BRAND

Branding is important for any company, and as a contractor, this is no different.

Because you're flying solo, you ARE the brand. It's vital for you to refine and develop your professional image in order to stay ahead of the game and thrive in an increasingly competitive world.

Whilst making sure you're presentable to clients, you can also go a long way with having your own logo, tailored business cards and a website to back up your credentials. And did you know that as a client of ClearSky we can do all of this for you? We'd hope so, as it was only just mentioned!

## Social Media Can Stick

There are endless ways of communicating on the web. Facebook, Twitter, LinkedIn – the list seems to get longer by the day.

Although these tools can be great for keeping in touch with friends and contacts, they can also ruin your reputation in an instant. A quick Google search can bring up a multitude of sins in a matter of seconds. It can even make or break you if a potential client happens to stumble across any incriminating evidence.

If there are any photographs, videos or slightly offensive messages that you wouldn't feel comfortable with your own mother seeing, let alone a potential client, then try to get rid of them. It might also be a good idea to change your security settings so you can select who sees what on your profiles.

After you've cleaned up your personal profiles, you may well want to create

a professional account for business purposes. On Twitter, for example, you could tweet jobs you've recently won or the projects you're working on. You could also use it as a platform to initiate discussion about the industry you're in, and also highlight current news stories that may affect your line of work.

## Knowing your worth

People expect to get what they pay for. The price you charge will translate into what people think you're worth. If you fail to quote the market rate for your skills, then you could lessen your chances of winning business. It's vital that you pitch yourself at the right level (see below).

If your CV and skill set don't match, you run the risk of failing to secure business – so research the market and charge the right rate.

## Finding work

As a contractor, one of the first things you'll have to master is how to source an assignment. If you operate via an umbrella or limited company, you'll have the support of a recruitment firm to help you along the way.

*There are a number of additional things contractors can do to make sure they're always busy:*

## Create the perfect CV

We've already covered this, but it's worth mentioning again. The most important thing to remember when creating your CV is to keep it brief. Potential clients are likely to have

to sift through a mound of applications, so keep it short and to the point.

A good CV will leave the reader in no doubt why they should hire you.

Remember that one size doesn't fit all. Tailor your CV to fit the assignment you're applying for. A good tip is to have multiple versions of your CV, each built to suit a specific role.

## Get yourself noticed (for the right reasons)

You should do everything you can to sell yourself and your skills to potential clients.

Networking is the perfect way to do this, enabling you to connect with a wide range of people. From potential clients and peers to leading figures in your industry, it's all about who you know sometimes.

## Be wise and specialise

Although it's true that you can generally earn more than in permanent employment, you could be missing a trick if you fail to specialise in a particular area. Research suggests that those who have expertise in sought after specialisms can earn higher assignment rates than normal.

The most successful people monitor upcoming trends in their field and skill themselves up to take full advantage. This will not only ensure they get paid well, but will also guarantee them a steady stream of assignments.

## Quoting LESS than the market rate means:

- Potential clients may (wrongly) perceive your skills as inferior to others, meaning you might fail to get through the door
- Because you charge less than your competitors, you could find you secure lots of interviews, but then struggle to get anyone to sign on the dotted line due to being overqualified
- You might end up lining the agent's pocket with a healthy margin instead of securing your own higher income

## Quoting MORE than the market rate means:

- You might struggle to get many interviews because you appear more skilled than you actually are
- It could be difficult to secure contracts because you're charging more than your competitors
- You may fail to get any offers after interviews because you aren't as qualified as your rate suggests

# Final Thoughts

So that's that for the very first issue of WorkStyle.

We hope it's proved insightful, informative and maybe even inspirational.

Choosing to go down the self-employed route is equally as exciting as it is nerve wracking. It's a jump into the unknown. But if you're confident in your own abilities, you can certainly make a success of it.

Of course, as one of the UK's leading contractor accountants and umbrella companies, we can support you in taking that step. We also work with a range of partners who can offer you additional support, such as insurance and contractor mortgages. It's just one of the ways that we like to stay with you all the way.

**Thank you for reading and good luck.**

*“Success is a journey,  
not a destination.  
The doing is often  
more important  
than the outcome.*

**Arthur Ashe**



WHEN WE'VE GOT YOUR BACK  
YOU CAN HAVE MORE

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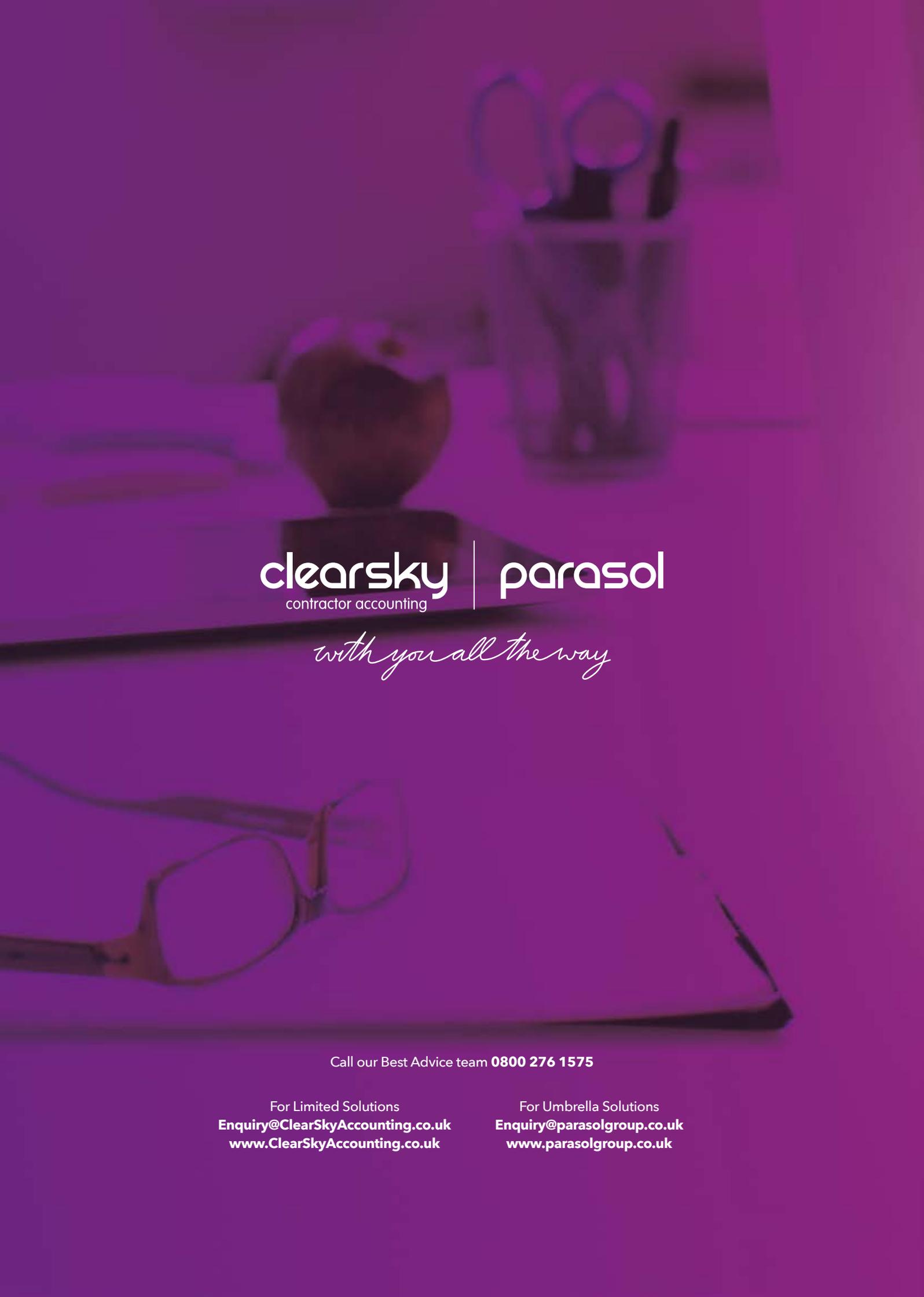
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