

Guide to choosing the right accountant



Choosing an accountant may not be as straightforward as it appears. Today, our economy is made up of many **different types** of businesses.



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Choosing an accountant may not be as straightforward as it appears. Today, our economy is made up of many **different types** of businesses. At the same time, technology is able to take the hassle out of the more mundane accounting tasks. Because of these developments, the accountancy profession has changed enormously in recent years.

Accountancy practices set up to serve large businesses, charities or public sector bodies, for example, offer a very different range of services to those that specialise in working with contractors, freelancers and small businesses. You will also find some big differences in their offerings, service levels and fee structures.

Why use an accountant?

When you're running your own business, it pays to spend as much time as you can doing – or pursuing – fee earning work.

Unless you're an accountant yourself, you'll probably find that, beyond day-to-day bookkeeping, the accounting your business needs calls for expertise you don't have and time you can ill-afford.

Ensure you are as tax efficient as possible

This is where a professional accountancy service can help. Accountants who understand the nature of your work and the specific challenges you face as a freelancer, contractor or small business, can help you ensure you are working in a tax efficient way.

Their job is to be as skilled and knowledgeable about tax, accounting, and related disciplines as you are in your field. Tax legislation, for example, changes regularly and a good accountant will, at the very least, help you comply with new laws.

Claim all your allowable expenses

Your accountant can also advise you on the type of expenses you can legally claim for tax purposes, the tax implications of employing your spouse or other people and what to consider when deciding how to extract money from your business.

Reduce your admin

Typical services provided by accountants include advising on your legal structure, setting up your Limited Company and helping you prepare and submit your company's annual statutory accounts, corporation tax, VAT and self-assessment tax returns. Many also provide payroll services and Limited Company registered address services.

Accountants references

Another benefit of using an accountancy service is that you will, if asked, be able to provide an accountant's reference. This is a letter from your accountant verifying details about your business such as its financial footing, how long it has been established and the income you earn from it. You may need an accountant's reference if you apply for a mortgage or a property let. Some potential clients may also ask for an accountant's reference.

Peace of mind

With an accountant, you'll also reduce the chance of errors on your tax and statutory returns. Ignorance is no defence when it comes to dealings with HMRC and Companies House, so knowing your returns have been dealt with by a professional can give you that much needed peace of mind. This will also reduce the risk if you're being investigated by HMRC, although they do inspect a random sample of records as well as those which raise their suspicions.

If you're investigated by HMRC

If this does happen, it will help to have an accountant who knows your business on your side. They can prepare your figures in the format a tax inspector will expect to find them in. They will also be able to anticipate the sort of questions you may be asked and so can help you prepare any additional information about your business.

Types of accountant

Types of accountancy firms vary enormously these days. As tax legislation becomes ever more complex, more and more businesses and individual practitioners are specialising.

Accountants for big businesses

Big accountancy firms with blue-chip clients are not necessarily the right choice for a small businesses – and not just because of costs. Big clients need specialists in areas such as pension funds, employee benefits and the implications of trading in multiple tax jurisdictions.

Freelancers, contractors and small businesses on the other hand, need advice on things like business structure, the most tax efficient way to pay themselves, employing staff and claimable business expenses.

High street accountants

High street accountants are local practices that tend to offer general accountancy services to customers in their local area. Their clientele tends to be a wide mix of small to medium-size businesses, freelancers and contractors.

Some incorporate universal online bookkeeping software that clients can log into and use, and some still work manually. Their services typically include; bookkeeping, year-end accounts, tax returns, VAT returns corporation tax and payroll services.

Online accountancy services

Online accountancy services are the new, modern and cost-effective way for all businesses to manage their business finances and tax affairs. Accountancy software enables businesses to automate tasks to improve speed of efficiency.

Most online accountancy services use proprietary software to differentiate their offering and streamline their services to the specific needs of their target market. Many also provide mobile apps to enhance their service and offer greater flexibility.

Accountants for small businesses

Specialist online accountants can streamline their processes to allow them to offer services focusing on businesses like yours. Small businesses are an increasingly significant part of the UK economy, so they need professional advice specifically relevant to them.

Boox tip

Whichever type of accounting service you prefer, we recommend choosing a provider who is a member of the ICAEW (Institute of Chartered Accountants in England and Wales). This is your assurance that the firm adheres to the ICEAW's strict code of ethics.



Online vs high street

As a contractor, freelancer or small business you're most likely to choose between a high street firm and an online accountancy service.

To help you decide, here are the main pros and cons of each.

The high street accountancy firm

Pros

It's likely to be local, so face to face contact should be easy to arrange.

- › You'll have a good idea of the firm's reputation and can ask other local business people for references.
- › The firm may offer some online services for basic day-to-day accounting tasks.

Cons

- › You may have to deal with different people for different aspects of your business, so the service you receive may not be seamless.
- › The availability of the service is restricted to office hours.
- › Accountants may not be specialists in issues affecting small businesses.

The online accountancy service

Pros

- › A choice of service levels with simple pricing plans.
- › A dedicated accounting team who understands your needs as a small business and your obligations to HMRC and Companies House.
- › Access to your accounts 24/7.
- › Easy, intuitive software that lets you create invoices, upload receipts and calculate take-home pay and salaries.
- › Easy formatting of your accounts for online corporation tax, VAT and self-assessment tax returns.
- › May offer online meetings via skype in a more flexible manner.

Cons

Restricted opportunities for face-to-face meetings, although most offer online meetings over Skype / FaceTime.

Online accountancy services are less suitable for larger businesses with more complex needs, unless there is some in-house involvement.

»» Boox tip 💡

When comparing services offered by online accountancy services, ensure they offer the services and the level of online and offline contact you feel you'll need.

How they charge

Charging is another area where online and high street accountancy services can vary greatly.

How the high street practice could charge you

High street accountancy practice charges are usually a combination of an hourly rate plus fees for specific services. The hourly rate may be charged for telephone conversations if you call your accountant for some general advice.

Some firms build into their fees the cost of advisory services that, as a small business, you may never need. Others base their fees on each individual client's turnover or profit – regardless of how much work they have to do.

It's not uncommon for small businesses to spend upwards of £2,000 each year on high street accountants.

How online accountancy services charge

Most online accountancy services offer a range of service levels, allowing you to choose the package that best suits your budget and your accounting needs. They often charge a flat monthly fee, with the cost of any services not included in the package clearly detailed.

This is generally more transparent than many high street services, allowing you to forecast your annual accounting fees with more confidence.

At Boox, the costs for our accounting services differ depending on the type of business you're looking to operate, and are usually fixed monthly fees.

Boox tip



When comparing fees, go through high street accountants' costs carefully and check that you need all the services that they may automatically provide – and charge you for.

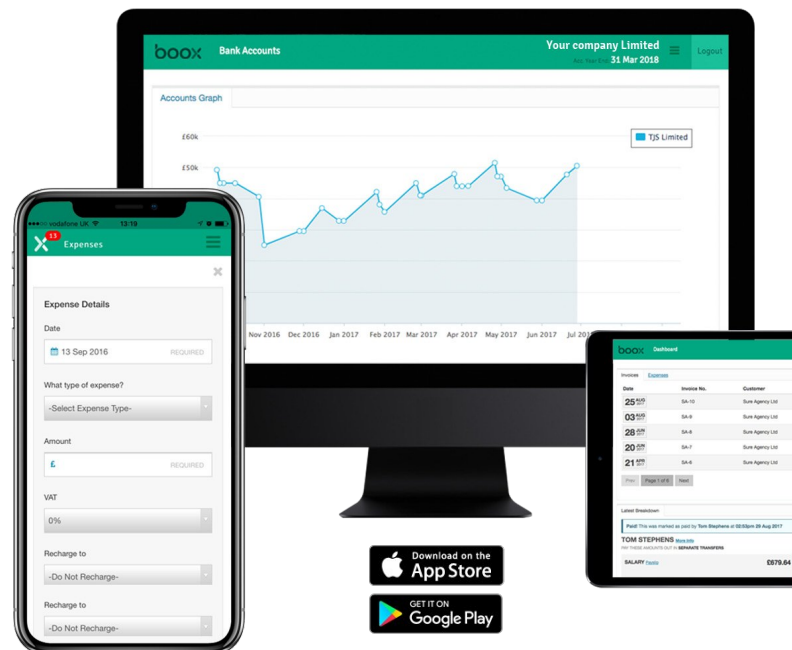
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Making the choice

The best time to make a decision about the type of accountancy support you need is when you first start out.

By getting your accountants on board at the outset, they'll have the best possible understanding of your business. They'll be able to take care of administrative chores such as setting up your Limited Company and getting you registered for VAT.

It also means you'll be able to forecast your annual costs for the services you need.

Define the services you need

To help you decide what accountancy services you need – and therefore what package to go for if you choose an online provider – it will help to think about how your business will operate.

For example, you may feel confident enough to prepare and submit your quarterly VAT returns and your annual year end accounts yourself, in which case, why pay someone else to do it? A simplified service level and lower cost would be right for you.

On the other hand, you may feel more comfortable – and free to build your business – by leaving most, if not all, your tax and Companies House affairs in the hands of professional accountants. In this scenario, a more comprehensive service level would be more suitable.

This would also apply if you employ people and need help submitting RTI, HMRC's system for paying your employees' tax and National Insurance contributions.

Decide how much support you'll need

As with any professional service, you'll need to assure yourself that your accountants understand your business.

This means finding accountants who specialise in areas that are relevant to you – be it business expenses, options for VAT registration, Directors' responsibilities, or the benefits you'll enjoy as a business owner.

Another factor is your working hours. If raising invoices and filing receipts is something you do outside of normal working hours, you'll probably find an online resource that you can access 24/7 an indispensable business tool.

Also find out how easy it'll be to talk to your provider. Will the clock start ticking every time you phone – or is telephone support included in the package?

See what other clients are saying

As a business owner, you want to ensure that you are making the right choice when choosing an accountant. Find out what other people running businesses have to say about the accountancy firms you're considering.

Do the providers have testimonials from other clients on their websites?

Do they provide online resources and helpful advice?

If they're active on social media, spend some time browsing through their Twitter, Facebook and LinkedIn feeds. This will give you an idea of how they engage with people like you.

Set your budget

Nobody knows better than your accountant how important costs are to your business. That's why we advise you to define the support you'll need, then choose the provider who'll meet these needs with quality services at competitive prices.

Boox tip

Remember – cost effective accountancy is not just about the lowest possible fees. It's about getting the support you need to stay compliant while making sure you stay as tax efficient as possible.



Switching accountants

If you're switching accountants, there won't be too much you need to do yourself – apart from choosing your new provider. However, it's important to tie up any loose ends with your outgoing provider first.

Preparing for the switch

Start by checking the small print of your contract. There may be clauses that govern the transfer of your business, such as notice periods or cancellation fees, etc.

When telling your current accountant why you're switching, be honest about why. It may be that your business has changed, meaning your needs are now different.

If you're changing because you're not happy with the service you've received, be diplomatic and make sure you've fulfilled your side of the contract. You will need their cooperation to ensure a smooth handover of your accounts to your new provider.

Similarly, make sure you're up to date with all payments due to your existing accountant. If you owe them money, they may sit back and do nothing until it's paid. This could then mean your changeover happens at an inconvenient time for you or your business.

Choose your moment

Ideally, the best time to switch providers is during a quiet period in accounting terms.

Switching at your year end may be the best time to do it. Just make sure that you agree with your new and previous accountant who is going to do the work (preparing and submitting your statutory accounts and corporation tax returns) and how much it will cost.

Make sure that you consider the timing of switching carefully. There may be a cost involved if your new accountant needs to reproduce some of the work already done by your current accountant.

Switching accountants continued...

How the switch works

Once you've chosen your new accountant, informed your current accountant about the switch and asked for the transfer of your records to take place, you won't need to do anything other than sign a couple of forms.

Your new accountant will send a Professional Clearance letter to your outgoing accountant. This advises the outgoing firm that it (the incoming provider) has been asked by you to take on your accounts. The letter asks if there are any reasons why your new provider should decline your business. Assuming there is none, your incoming provider will request information such as:

- › Your tax file or income and corporation tax returns and schedules submitted for the business, including all computations, and claims for the last six years.
- › Your most recent completed company accounts and a trial balance.
- › Your tax district and reference number.
- › Details of any tax losses.
- › Historical costs or valuations relating to assets you hold.
- › Details of any arrangements you may have with HMRC.
- › Any other information relevant to your tax affairs.

Your incoming accountant will also want to enclose a letter from you authorising the outgoing provider to release this information.

If your outgoing accountant is chartered or certified, their professional code sets out the timescale for supplying this information. If not, they should still respond in a reasonable time.

Your outgoing accountant is entitled to charge a fee for their part in the transfer, though this shouldn't involve more than an hour's administration work.

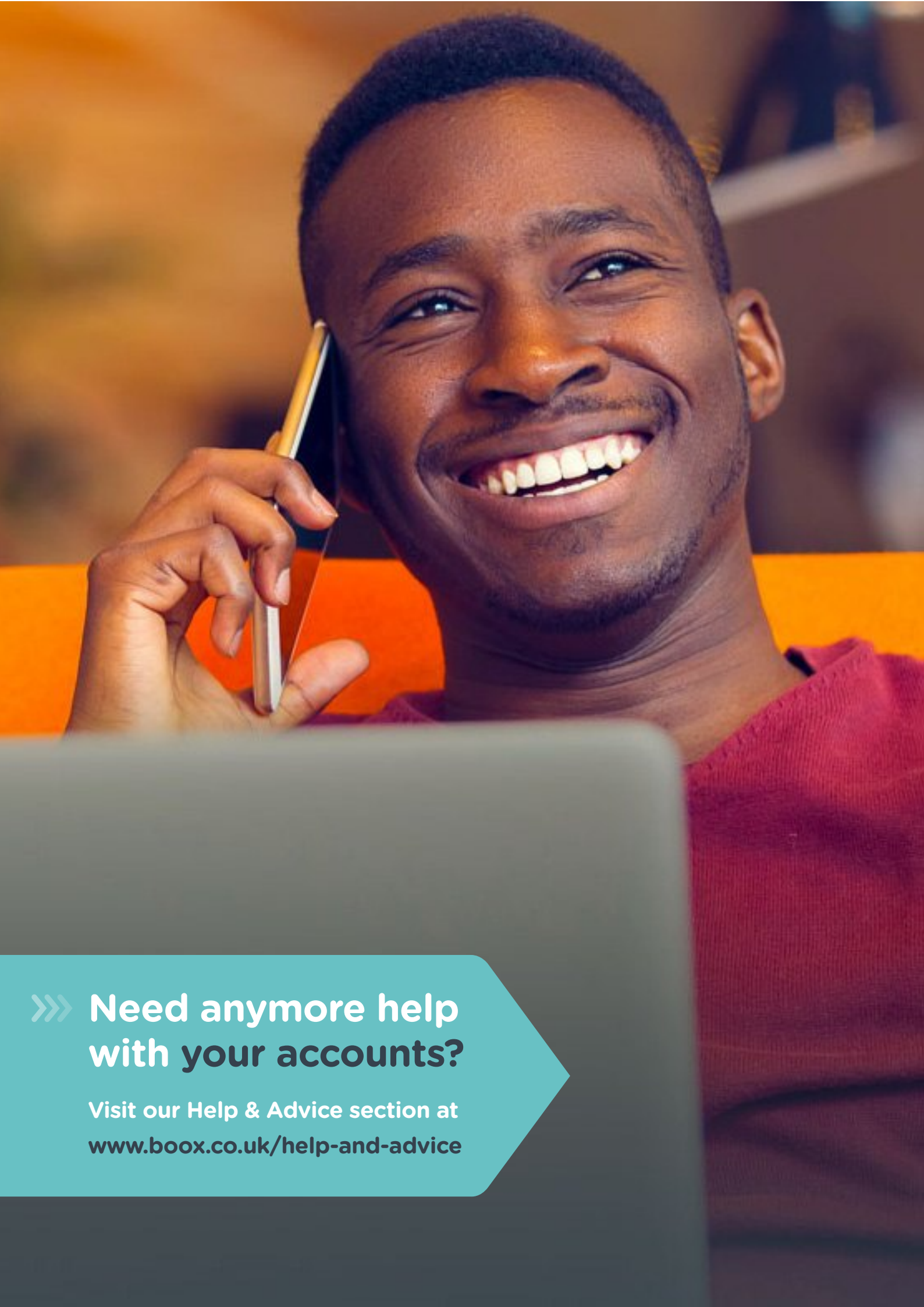
As soon as your incoming provider has received all the information they've requested, you've successfully switched accountants.

Your new provider will need you to complete a couple of forms. For example, to inform HMRC that they are your new agent.

Boox tip



If you find yourself in a dispute with your outgoing accountant that is obstructing your switch, try to resolve it as amicably as you can. If that fails, seek arbitration through an industry body. ICEAW offers an arbitration service for disputes involving its members.

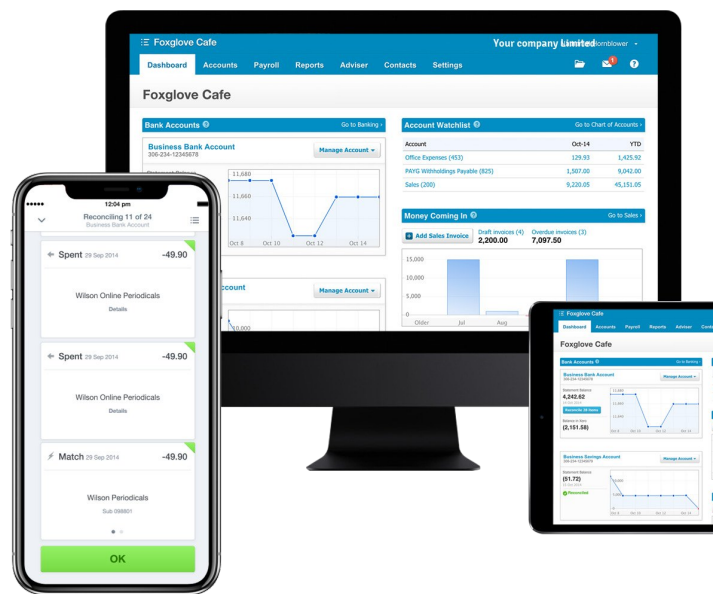


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