

A Guide to Choosing the Right Type of Accountant

Find out how you can find work and plan your working year.



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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 and freelancers. And even among those that target your sector, you'll find some big differences in their offerings, service levels and fee structures.



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Why Use an Accountant?

When you're self-employed, 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.

Increase your take-home pay

This is where a professional accountancy service can help. Qualified accountants who understand the nature of your work and the specific challenges you face as a freelancer or contractor can increase your take-home pay.

This is because 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. Even better, they'll help you benefit wherever possible.

Claim all your allowable expenses

Your accountant can also advise you on the type of expenses you can legally claim for tax purposes, how to finance your car and the tax implications of employing your spouse.

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 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 a qualified accountant, you'll also reduce the chance of errors on your tax returns. Ignorance is no defence when it comes 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 your being investigated by HMRC.

If you're investigated by HMRC

If this does happen, it will help to have a qualified accountant who knows your business on your side. They'll prepare your figures in the format a tax inspector will expect to find them in. They'll also be able to anticipate the sort of questions you may be asked and prepare relevant 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 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 and contractors, on the other hand, need advice on things like IR35, business structure and what expenses they can claim.

Accountants for freelancers and contractors

For this reason, more and more accountancy service providers are focusing on businesses like yours. Freelancers and contractors are an increasingly significant part of the UK economy, so they need professional advice about tax laws targeted specifically at them.

High street accountants

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

Some incorporate universal online bookkeeping software that clients can log into and use, however they do most of their work manually. This includes 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 contractors and freelancers to manage their business finances and tax affairs. Because smaller businesses have less complex accounting needs than larger organisations, many of their accounting tasks can be automated.

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.

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 employs at least one Chartered Accountant and that it adheres to the ICEAW's strict code of ethics.

Online vs High Street

As a contractor or freelancer, 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 contractors, eg IR35

The online accountancy service

Pros

- a choice of service levels
- a dedicated account manager who understands your needs as a contractor 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
- easy formatting of your accounts for online corporation tax, VAT and self-assessment tax returns

Cons

- restricted opportunities for face-to-face meetings
- online accountancy services are not suitable for larger businesses with more complex needs

Boox Tip



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

How they charge

Charging is another area where online and high street accountancy services vary greatly. In fact, pricing is a key factor in the growth of online providers.

How the high street practice could charge you

High street accountancy practice charges could be 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 self-employed people 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 services levels, allowing you to choose the package that best suits your budget and your accounting needs. They charge a flat monthly fee, with the cost of any services not included in the package, shown.

This is generally more transparent and less vague 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. In 2008, one contractor received a bill for £983 from a high street accountant to set up a Limited Company – a service we provide for just £36.

Making the Choice

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

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, qualified Chartered Accountants. In this scenario, a more comprehensive service level would be more suitable.

This would also apply if you employ people and need help complying with 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.

For contractors and freelancers, this means finding accountants who specialise in areas such as IR35, small business expenses, options for VAT registration, directors' responsibilities and the benefits you'll enjoy as a business owner.

It will also pay to choose an accountancy firm used to dealing with recruitment agencies and umbrella companies. You may, as a contractor, work through these from time to time.

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.

Find out too, how easy it'll be to talk to your provider. Will you have a dedicated accountant or speak to someone different every time you call? 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 small business possibly choosing an accountant for the first time, you'll need to be able to trust your decision.

Find out what other people running similar businesses to yours have to say about the companies 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 maximising your take-home pay.

Switching Accountants

If you're switching accountants, there won't be too much you need to do yourself – apart from choosing your new provider. It's a good idea, however, 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 a cancellation fees, etc.

When telling your outgoing 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 outgoing 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.



The days and weeks just after your corporation tax return, self-assessment and year-end accounts are filed and midway between VAT returns is an ideal time, however, this may not necessarily fit in with your business objectives. At the very least, choose a time when all your payments are up to date and neither party is waiting on the other for anything.

Switching Accountants

How the switch works

Once you've chosen your new accountant, informed your current accountant about the switch and asked for the transfer to take place, you won't need to do anything.

Your incoming 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're still required to 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.

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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Ready to get started?

For a no obligation discussion about our service, or the best route for your freelance career, get in touch using the details below:



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