

Private & Confidential ERA Member document Becoming a Freelancer

Before setting up	
<p>We strongly advise before you set up your business, whether as a sole trader or limited company, that you seek suitable professional advice.</p> <p>We would recommend appointing an accountant in the first instance. They can help set up your company, establish your tax status and VAT (if applicable) and any additional governance issues. You can also establish how you are going to document your accounts and if you or they will manage this.</p> <p>Ensure your accountant is appropriately qualified and has experience of dealing with small businesses. Ask for recommendations from friends/family/local network.</p>	
<p>There are a variety of other organisations who can assist you, including:</p>	
<p>Bank</p>	<p>Shop around for the best business bank deal that suits you. It may make sense to have your account with the same bank as your personal account, for ease of banking. However be aware that the Financial Services Compensation Scheme will automatically pay out depositors with eligible deposits up to £85,000. If this is a potential issue you may need to business bank elsewhere.</p>
<p>Chamber of Commerce</p>	
<p>Federation of Small Businesses</p>	
<p>Legal firm</p>	
<p>Check the rules in your home country as difference governance regulations may apply.</p>	
Legal	
<p>Limited company v sole trader</p>	

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<i>Limited company</i>	<i>Self-employment/sole trader</i>
<ul style="list-style-type: none"> There are a variety of options in setting up a limited company: 	
<ul style="list-style-type: none"> Choose a name – check on Companies House if it is available. Try and pick something that reflects your image/offering. 	
<ul style="list-style-type: none"> Then either set a company up from scratch - this can usually be set up in 24 hours - or 	
<ul style="list-style-type: none"> Buy a shelf company and change the name (a more expensive option than setting up one from scratch). 	<ul style="list-style-type: none"> Inform HMRC that you are becoming self employed.
<ul style="list-style-type: none"> HMRC will send you two reference numbers, one for your company tax and one for your personal tax. 	<ul style="list-style-type: none"> HMRC will send you a reference number.
<ul style="list-style-type: none"> Set up a limited company bank account. 	<ul style="list-style-type: none"> Set up a business bank account.
<ul style="list-style-type: none"> Produce and file limited company accounts annually. 	<ul style="list-style-type: none"> Produce accounts annually.
<ul style="list-style-type: none"> Pay yourself – as a Director of the company - via dividends. NB you MUST keep records of dividends, including minutes of meetings and issuing dividend vouchers. 	<ul style="list-style-type: none"> Pay yourself from your business bank account into your personal bank account. It is helpful to have both accounts at the same bank as funds will be transferred more quickly and for ease of reference.
<ul style="list-style-type: none"> Pay corporation tax. HMRC will send you a demand, including the amount and deadline for payment. This should always be checked by your accountant before you pay it. 	
<ul style="list-style-type: none"> Pay personal tax – you will need to file a personal tax return for the HMRC who will calculate your tax due. This should always be checked by your accountant before you pay it. 	<ul style="list-style-type: none"> Pay personal tax – you will need to file a personal tax return for the HMRC who will calculate your tax due. This should always be checked by your accountant before you pay it.
<ul style="list-style-type: none"> HMRC are entitled to review your accounts (company or sole trader) at any time, regardless of the size of your business. You are legally required to comply with any requests to do so. 	
<p>NB you can switch from being a sole trader to a limited company after your business is established and if relevant</p>	

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ICO registration

<https://ico.org.uk/for-organisations/data-protection-fee/>

It is illegal to trade without being ICO registered.

VAT registration – as of July 2019 the threshold for VAT registration is £85,000.

Ask your accountant to register you for VAT and diarise the quarterly payment calendar so you are ready for each return with accounts in order.

Insurance

- Professional Indemnity Insurance – this is essential for trading.

Others you may need, depending on your business offerings, client base and geographical coverage, include:

- Employers Liability Insurance - some clients may insist on this and you will need to provide proof of cover.
- Public and Products Liability Insurance - some clients may insist on this and you will need to provide proof of cover.
- Mobile phone insurance.
- Critical illness insurance - useful if you are the sole breadwinner and covers you (after a certain period of time) if you are unable to work due to illness.
- Cyber and Data Insurance
- Personal Accident Insurance
- Commercial and Legal Protection Insurance
- Crisis Containment Insurance

Documentation/good practice - this applies to limited companies and sole traders

It is strongly recommended that you have funds available to pay bills and expenses when you are less busy or awaiting payment of invoices. Decide on a minimum amount to have available at all times.

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<p>Keep accounts</p> <ul style="list-style-type: none"> • If you are not organised, it will cost you more in accountancy fees. • Allow half a day per month on accounting matters. • Ensure you keep up to date with who has paid and when, particularly so you can chase overdue invoices. This can be done in a variety of ways – through your online accounts system, Excel etc. 	<p>You don't need to be complicated – you can use Excel, Sage, or one of the online platforms e.g. Xero or QuickQuid – if you have an organised accountant, often they will have a log in to your online system to ensure you are keeping records appropriately and to correct any errors.</p> <p>Your accountant will advise you of appropriate record keeping.</p>
<p>Privacy Policy</p>	<p>Use the ERA Privacy Policy. This is available on the ERA website. https://theera.org/terms/.</p> <p>Add your company name and relevant contact details.</p>
<p>GDPR <i>See also register with ICO above</i></p>	<p>Ensure you are fully aware of the legislation and are compliant (including ICO registration and having a Privacy Policy).</p> <p>Ensure that your clients are also GDPR compliant, ICO registered and have a privacy policy.</p>
<p>Non-Disclosure Agreements (NDA) may be required by clients.</p>	<p>Examples are readily available on the Internet.</p>
<p>Database/records</p>	<p>You may not need to invest in a database system but you do need an efficient method of keeping records. Establish one from the outset. Ensure it is GDPR compliant and keep it up to date.</p>
<p>Back ups</p>	<p>Back up on a regular basis and keep safe. Consider Cloud storage in addition to physical back up. This is applicable to emails and documents.</p>
<p>Company credit card</p>	<p>A company credit card is useful. It is good practice to set up an automatic direct debit payment from your business account at the end of each month - but remember to check each statement.</p>

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Contracts with clients – either do a proposal for each piece of work or have a contract with each client.	<p>Make sure you include your understanding of client need, fees, and terms and conditions.</p> <p>Refer to your ICO registration.</p> <p>You may need to sign a Non-Disclosure Agreement (NDA)</p> <p>Ensure you have received your client’s privacy policy and that they are GDPR compliant.</p>
Invoice at the end of each month	This is recommended for cash flow. Ensure your invoices list payment terms. Ensure you keep good records (see above).
Terms & conditions	Include a clause about charging additional fees if a client pays late. Also put a timeline on the validity of each proposal in case your fees have increased over time.
Costs	
<p>Initial set up costs can include:</p> <ul style="list-style-type: none"> • Buying a shelf company and changing the name or setting up a company from scratch. • Web site fees. • Business cards. • Rent, if renting an office. • Home office set up fees – installing broadband, buying furniture, getting computer and phone equipment. • Others may include ERA registration fee (if you are coming out of an ERA corporate member) and membership of organisations such as the Federation of Small Businesses. • ICO fees • Business insurance • Banking fees 	
Bank fees – if you are a sole trader or a limited company the bank will still charge you.	
Fees to your accountant.	

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Tax – see above	<p>It is good practice to keep 25% of your earnings in a separate/reserve account so you don't think of this as "your" money.</p> <p>NB you will need to pay some tax "on account" i.e. in advance.</p>
Marketing	
Business cards	These are still useful when you meet potential clients and network.
ERA	<p>Add the ERA logo to your email sign off.</p> <p>Add the ERA logo to your website.</p> <p>Ensure your Researcher listing is up to date on the ERA web site.</p> <p>Ensure you are on the Virtual Coffee Machine on Facebook.</p>
LinkedIn	<p>Ensure it is up to date and consistent with your web site and other on line presence.</p> <p>Commenting on posts will raise your profile.</p>
Logo	<p>Create one and ensure it is on all your documentation – ensure it is available and not copyright protected.</p> <p>Keep it up to date.</p>
Web site	<p>Fairly easy to set up but you are likely to need outside assistance to do so.</p> <p>It is important to ensure that any images you put on your web site (or publicity material) are not copyright protected.</p>
Other	
Anti-virus software	Ensure it is kept updated on all devices.
IT support	Essential and normally worth the cost.
Where to go to for advice on an ongoing basis	

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Bank	
Chamber of Commerce	
ERA	
Federation of Small Businesses	
Legal firm	This may be useful for clients who pay bills late.

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