

# Working as a Freelancer

Warren Singer discusses how to set up as a freelancer

## Introduction

I first started freelancing in the UK at the beginning of 2007, after a number of years in full-time employment. Although I had previously had my own self-employed business abroad, this was the first time I had done so in the UK.

I now run my own company, where I work with others, obtain leads and bid on projects directly with clients, as well as take on project work and contracts advertised by agencies. I'd like to share my experience with you about working as a freelancer.

In this article I use the term self-employed, freelancer, contractor and consultant interchangeably. Although there may be slight nuances of meaning to each term, I want to make it clear that I am including all of the above.

## Why freelancing?

For many, self-employment is a career choice. It offers the flexibility of being able to determine your own working environment, combined with a variety of interesting and challenging work. Each project and company you join is unique, with its own working culture and challenges, and you must continually adapt to meet the demands of new situations. So, if you find variety in work and frequent challenges stimulating, enjoy meeting new people and are able to adapt quickly to new situations, then self-employment may be for you.

Self-employment can also be lucrative once you have gained sufficient experience and industry knowledge in a sector to be considered an expert, enabling you to specialise in an area of competence. As a career path, it is an alternative to becoming a manager, as not everyone is suited to a management position.

The opportunities for self-employment are growing as many companies prefer to outsource their technical communication requirements rather than build and manage an in-house function.

At the same time, the demographics of the job market are changing, with an aging population in many European countries, and we are expected to work to a later age. At a later stage in your career,

or due to family and other commitments, self-employment can offer the opportunity to dip your toes in work for a short period, or work part-time without the grind of a daily commute.

## Is freelancing for you?

Before deciding whether self-employment is for you, consider three key factors that are typical of self-employment. These are: coping with change, dealing with financial/business matters and being prepared to travel.

### *Coping with change*

You should be prepared for change when self-employed. A project may last anywhere from a week to a year, although some last longer. In some companies you are perceived and treated as an external consultant – in others you are treated in almost the same way as the employees. However, at the back of your mind is the realisation that this situation is not permanent. (In fact, if you stay too long on a contract with the same company in the UK, you may fall under the rules of IR35, which means that you would be classed as an employee.)

You must be adaptable, and able to fit in easily into any work situation you encounter. You must also be comfortable interviewing and speaking to new clients, who want to find out more about you and what you can offer them.

### *Dealing with financial/business matters*

As a freelancer you have to be comfortable with managing a business and constantly seeking new projects and sources of income. At times you'll find the pace slow going, with little work going on and at times you may be swamped with several projects in various stages of completion. You have to be able to juggle your workload, while ensuring you provide quality to your clients.

You may earn more as a contractor, and may get to take home more of your salary. However, you are responsible for paying your own expenses and you have to be prepared for periods when you are less busy, out of work and looking for new projects.

You are responsible for your own training and pension contributions. You will have to pay your

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own travel expenses, and purchase any equipment and software you need. You will need to set aside a portion of your income towards these expenses. The good news is that most work-related expenses are tax deductible which also means that you may need to submit a tax return. The 'How to set up as a freelancer' section contains more information.

### *Being prepared to travel*

Unless you are lucky enough to live in the centre of a main industrial area with many contract opportunities around you, it's likely that you will need to travel at some stage for your next role. When working at a distant location you may need to be prepared to sleep over for a few days or negotiate with the client to work from home for part of your contracted time.

An increasing number of self-employed technical communicators work part-time or are able to do the majority of their work from home, without requiring commuting. Home working is ideal for those for whom working in an office environment or commuting may not be an option. I suspect that the number of 'home-office' working technical communicators is growing, partly due to demographic trends, the increasing acceptability of this way of working and partly to the increased costs and congestion associated with public and private transport. At the same time, technological developments are bringing us closer together and making it easier to access company systems and resources from anywhere.

In conclusion, if you enjoy working in the same place and for the same company and prefer the security of a long-term job, as well as the opportunity to build long-lasting friendships with colleagues, then being self-employed may not be the ideal long-term career choice. In this case, contracting may be a stop-gap until a more suitable permanent position becomes available.

### **The job market for freelancers**

The current job market appears vibrant. Contract technical communicators are in demand in a wide range of industries and businesses of varying sizes. Many companies that employ freelancers

have no technical communication function or technical publications department, and you will be expected to establish work procedures, templates and deliverables. In other roles you may be joining a team of existing technical

communicators, where the work may be shared. There are advantages to working in an established team, especially if you are new to contracting, not least being the camaraderie and benefits of having colleagues in the same profession to work with.

The market for contract roles is highly competitive. For the higher paying and more specialised roles, companies expect you to have industry-specific experience in their field as well as demonstrated expertise and leadership as a technical communicator. In a contract role, companies usually expect you to be able to hit the ground running and be up to speed in a very short time.

One benefit of having industry-specific knowledge is that you can often transfer work practises and experiences learnt at one company, to another.

### **Finding work as a freelancer**

To gain new contracts or clients your skills must be highly competitive and your CV must stand out from other self-employed candidates. You must also have good interviewing skills and be able to demonstrate your competence through a portfolio of samples.

Your work could come from a variety of sources: repeat work from existing clients, direct advertising and recruitment via your website, through referrals from colleagues and contacts, and through projects advertised by agencies. Actually, it doesn't matter where the work comes from. Working directly with your clients has its advantages in that you own the client relationship and can then bring in additional technical communicators if required, and rely on repeat orders coming through.

Working through agencies brings access to clients who would not have found you otherwise; you also have the benefit that the much of the leg work in defining the scope of the role has been done. As you are competing in an open job market, the agency can normally negotiate a good day or hourly rate for you. So, although they take a slice of the fees, you generally earn the same or more than you would by going direct to the client.

### *Where are jobs advertised?*

Try the following: ISTC forums, jobs boards, agency websites, direct advertising (for example, Google and at trade shows). For direct online advertising you will need your own website, and

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you may want to consider joining a national trade association.

### How to set up as a freelancer

The choice of type of business entity will depend on the nature of your contracting work, how often you do it and who you work with. Below I describe how to set up a self-employed business in the UK, as that is what I am most familiar with.

#### *Sole-trader business*

If you work mainly for yourself on small projects or part-time, you can set yourself up as a self-employed sole-trader business. This is as simple as a telephone call to HMRC, who will then register your business and send you a welcome pack. You will need to pay your own national insurance contributions and complete a self-employed tax return each year.

Note that many companies will not work directly with sole-trader contractors. They may expect you to form either a limited company or work through an umbrella limited company.

#### *Umbrella limited company*

If this is your first role as contractor, and you are uncertain whether self-employment is for you and don't want the expense and hassle of setting up a limited company, then using an umbrella company is an option.

An umbrella company has large numbers of similar contractors on their books. You sign a contract with the umbrella company, who will then invoice your agency or client for the fees. Once they receive the money, they will pay you a salary, minus deductions for class 1 and class 2 national insurance, tax and their charges. You are also able to deduct certain business-related expenses, such as travel and accommodation, subsistence allowance and equipment purchases.

#### *Limited Companies*

In a Limited company, the member's liability for any debts of the company is limited to the number of paid up shares in the company, although company directors may still be liable for any debt incurred by the company. A company can also be limited by guarantee.

You need to register your company with Companies House in the UK, submitting documents, including Articles and Memorandum of Association. As a registered limited company,

you will receive a Company Certificate. You will also need to register your company with HMRC, who will send you a welcome pack and a registration letter with your tax number and details.

As a limited company you must submit annual returns to Companies House. You will also need to submit PAYE (Pay as You Earn) tax payments to HMRC, usually on a quarterly basis, for employee salaries.

You will technically be an employee of your company, and so your company will have to produce PAYE slips and pay you a salary. If you are also a company director of your company, you can choose to take part or the majority of your business profits after expenses as dividends.

The management of the accounting side of a company requires expert knowledge and I would strongly advise you to employ the services of a professional tax advisor or accountant.

#### *Partnerships*

If you are working as part of a group of self-employed technical communicators, where income is pooled before being distributed, then a partnership may be an option. An example of this may be a family business, or business run by a small group of technical communicators, who are each self-employed, but get work through a single business brand or website.

There are two types of partnerships in the UK: a standard Partnership and a Limited Liability Partnership (LLP).

A standard partnership is where two or more people work in common for the purpose of generating income. However, liability for any business losses is shared amongst the members of the partnership.

An LLP is a relatively new type of business entity, typically used in the legal profession. It enables the formation of partnerships between companies and business entities, where liability is limited. Registration of an LLP is through Companies House and follows many of the procedures of a Limited Company, including the need for annual accounts.

To find out more about these options, check out the HMRC and Companies House websites.

#### *Registering for VAT*

If your turnover is under £79,00 in the UK, you do not need to register for VAT. One of the benefits of

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not being registered for VAT is that businesses accounting is much simplified. You can also charge customers a reduced rate. However, since most customers are also companies, they are able to offset the VAT, so this is often not a competitive advantage.

There is an option to register for VAT, even if turnover is below the VAT threshold. The benefits of this are that you can then offset some of your VAT expenses. If you are VAT registered you typically submit a VAT account online to HMRC every quarter. Contact HMRC and they will register you and send you a VAT certificate.

If you are registered for VAT, you will need to include VAT in your invoice to your customer and, when quoting direct, it is important to make clear whether your charges are inclusive of VAT. When working through an agency, the day or hourly rate quoted does not include VAT, so you add the VAT to the total when invoicing the agency.

HMRC offers a flat rate scheme that enables you to pay a fixed vat rate on your income, which is a reduced rate to take into account the typical offset for expenses for your type of industry. The benefits of this are that you do not need to calculate your VAT expenses, making it much simpler to manage.

### **The day-to-day managing of your contract business**

The administrative side of running a small business is important to the self-employed person. Your home office will need the equipment required to work independently. Essential items include: a desk and good chair, a laptop or desktop computer, a printer, a telephone and answering machine/service and a good broadband connection. Optional extras include: client meeting facilities and a projector. Whether you need a separate office is entirely up to you. You are now responsible for your own health and safety, so make sure that your desk is comfortable and any equipment is in good working order and set up correctly.

You may also want the following for your business: a business telephone number, website and email, company letterhead, business cards and leave-behind leaflets or brochures. See the links at the end of this article for suggestions on where to look.

Any software you purchase will be at your own expense, so choose wisely. At a minimum, I

suggest that you need an email client, web browser, Word processor, spreadsheet package, desktop publishing software and graphics software. You can use a combination of free shareware, software already installed with most operating systems, and purchased software. You may be able to pass some software costs on to clients, for example, if they expect you to use a particular authoring tool, which may cost thousands, or you may have to absorb these costs as part of your setup expenses.

You will need a business bank account for accepting customer payments (a personal account can be used in some limited circumstances, but is not recommended, as it is best to keep personal and business income separate). Banks such as Lloyds, Santander and Barclays offer decent business banking accounts, with online administration for handling your money and it is worthwhile shopping around, as costs may differ.

Finally, you may also need business and personal indemnity insurance.

The more mundane but equally important aspects of self-employment include the keeping receipts, and accurate record keeping of projects (travel mileage, business-related costs and expenses), invoicing clients, filing company accounts and handling late payments.

### **Conclusions**

Freelancing can be an interesting and rewarding career choice, but you should be prepared for the challenges and demands that come with it, from finding the next project to managing your business affairs and ensuring continual professional development.

### **Useful information**

If you would like to find out more about some of the issues and topics covered in this article, see the links below.

#### *Umbrella companies*

You should make your own investigations; here are a few links to start off with:

- [www.umbrellacompanies.org.uk](http://www.umbrellacompanies.org.uk)
- [www.tarpon-uk.com](http://www.tarpon-uk.com)
- [www.parasolgroup.co.uk](http://www.parasolgroup.co.uk)

#### *Registering a business:*

- [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)
- [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

*Freelancing can be an interesting and rewarding career choice*

#### *Business websites and domains:*

- [www.godaddy.com](http://www.godaddy.com)
- [www.123reg.com](http://www.123reg.com)
- [www.pipeten.com](http://www.pipeten.com)

#### *Business telephone numbers:*

- [www.uk2numbers.co.uk](http://www.uk2numbers.co.uk)

#### *Business bank accounts:*

Try the following providers or look for a comparison on [www.moneysupermarket.com](http://www.moneysupermarket.com)

- Lloyds
- Santander
- RBS
- NatWest

#### *Contracting*

[www.contractoruk.com](http://www.contractoruk.com) is a good source of information on contracting and IR35, and also provides links to business insurance.

#### *Business printing:*

- [www.vistaprint.com](http://www.vistaprint.com)
- [www.printing.com](http://www.printing.com)

All websites, accessed August 2013.

#### **Further reading**

Ranken, M (2012) 'Co-operating freelancers' *Communicator*, Winter 2012: 18-19

Reeves, A (2011) '10 Golden rules for bid writing' *Communicator*, Autumn 2011: 28-31

Singer W (2012) 'Copyright law and technical communication' *Communicator*, Winter 2012: 54-57

Various ISTC members (2013) 'Working from home' *Communicator*, Autumn 2013

