

HELP NOTES

# Business Skills for Freelancers



Whether you're new to freelancing or have 30 years under your belt, you'll know one thing about your work pattern: it's unpredictable. These help notes are designed to pin down some of that unpredictability and put you in the driving seat. The more you feel you're in control of your destiny, the more you'll enjoy freelancing, and the more likely it is that people will give you work.

[www.creativetoolkit.org.uk](http://www.creativetoolkit.org.uk)

# HELP NOTES: Business Skills for Freelancers

In many ways a freelancer is just like a small business. So try to think like a business. These notes give some practical advice on how to do that, and where to find more help.

## Taking control of your money

What's your relationship with money? Most people say they'd like to earn more, but have you considered that it might be easier to spend less? For freelancers the effect is the same.

Try to get a handle on where your money goes in your personal life. The best way to do this is by keeping a spending diary for a month. Take a small notebook around with you or use a smartphone app. Every time you buy something write it down.

Itemising every purchase will help you spot how much you spend on little things like coffees or magazines. It will also make you question the amount you spend on necessities like shower gel or toothbrushes.

After a month you can stop the detailed diary if you like BUT keep track of what you're spending each week. Give yourself a weekly allowance and keep an eye on it. Some people find moving to a cash economy and ditching the plastic works wonders.

Alternatively try a cash card which pings an alert to your phone the instant you buy something.

### For example...

Jane is an AP and realised she was spending about £5 every working day on cappuccinos. She calculated that she had about 200 working days in the year and was stunned to work out that this meant £1000 was going on coffee per year. She started ordering filter coffee at half the price and has become an expert at spotting free coffee machines.

## Taking charge of the freelance lifestyle

Have you worked out how much you actually need to work in a year, month or week? It's important to plan in

some 'time off' so that your brain relaxes and you don't burn yourself out. Remember, as a freelancer you are in charge of your hours so you are responsible for charging your batteries.

Plan your life in three parts:

- personal life (shopping, relaxing, days off and holidays)
- work for which you are paid ('earning' in other words)
- work for which you are not paid

Hang on! What's this about work for which you're not paid? This is the time you will need to put aside for three essential things:

- 1) paperwork (see below)
- 2) looking for work - very time consuming
- 3) keeping your skills up to date - as a freelancer this is your responsibility

Many people make the mistake of thinking these activities are not work, but they are. So don't confuse 'work' with 'earning'. You will only earn on some of your working days.

## What is a freelancer anyway?

The term 'freelance' is very confusing. Many people think it means 'self-employed' but it doesn't. Freelance just means 'temporary'. There are basically two types of freelancer.

**1) PAYE or payroll freelancers:** those who get put on a payroll for a fixed term and are paid PAYE. This means they have an employer who takes tax and national insurance out of their salary automatically and pays the remainder into their bank account.

**2) Self-employed freelancers:** people who register as a sole trader, sometimes known as 'schedule D'. Or people who operate through their own limited company. Freelancers in this category get paid a larger amount of money out of which they have to pay tax and national insurance themselves. They also have to keep records of income and business-related expenses.

HMRC (the tax people) say you're more likely to be self-employed if you have control over when you do your work, have lots of different clients, and

provide the tools for the job yourself, often in your own premises.

In the media and entertainment industries there are lots of grey areas, so HMRC and industry bodies (including BECTU) have put together lists of job roles that are typically done as self-employed or typically done by PAYE freelancer posts. This list is known as the 'modus operandi'.

By and large, the more junior the role, the more likely it is to be done as PAYE.

Self-employed people can put a number of business-related expenses against their income to reduce the tax they pay. This can save people a lot of money, but requires self-discipline and some record keeping skills.

David Thomas Media runs regular Finance for Freelancers workshops for BECTU and other organisations. Templates and downloads are provided as well as advice on how to use them.

### Useful resources:

[www.bectu.org.uk/training-development/courses/28](http://www.bectu.org.uk/training-development/courses/28)  
[www.davidthomasmedia.com](http://www.davidthomasmedia.com)

## The difference between sole trader and limited company

A sole trader is a technical term which describes someone who is self-employed, earning money from different clients. A sole trader is legally a person who is also behaving like a small business. Sole traders pay income tax, like any other earner.

If you set up a limited company you are setting up something that is legally separate from you. The company is the business, and you become an employee of the company. The company pays corporation tax. Operating through a limited company can provide protection from risk, and might bring tax benefits if your income is high enough. But there is more responsibility on you to get it right, and it involves a lot more paperwork, so you'll be paying more to an accountant to help you with that.

It's important to remember that opting to work through your own limited

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company will mean that you lose employment protection offered to workers who are taken on directly. This is because you are an employee of your own company, and not an employee of the client's.

## Useful resources:

[www.hmrc.gov.uk/employment-status](http://www.hmrc.gov.uk/employment-status)  
[www.bectu.org.uk/tax-guide](http://www.bectu.org.uk/tax-guide)

## Getting it in writing

Whatever type of freelancer you are, make sure you pin down what is expected of you before you work for someone. So the golden rule is:

### Get it in writing!

The minimum information you need to discuss is:

- what do they want done
- what's the deadline by which it will be completed
- what's the rate, and what does that rate include

The easiest way to do this is set up a template using Word or your favourite word processor. BECTU has a simple 'confirmation of booking' template which is easy to use and covers all the important bases.

Even if someone calls you tonight and says they have an urgent job for you tomorrow morning, dash off a confirmation of booking letter by email to them. It will ensure that you don't forget to discuss the essentials.

### For example...

Pete is a producer who agreed to work on a project for a client and turned up on the day. His contact said 'oh we're not doing that any more, so we've got some other work for you to do'. Pete refused, as the new work didn't fit his skills. Because he had pinned down the work and his cancellation terms in writing in advance, the client had to pay him anyway and it was treated as a late cancellation.

Pinning down the deadline is essential, as you are running a business diary now. You need to know when to plan for the next client after this job, and

when to plan your time off. You can only do this properly if you have deadlines in your agreements.

## Useful resources:

[www.bectu.org.uk/booking-confirmation](http://www.bectu.org.uk/booking-confirmation)

## Keeping records

Most people hate admin, but setting up a simple filing system will help you keep track of your paperwork and make you feel more business-like.

Record keeping for PAYE freelancers

- Buy a box file for all paperwork connected with your employment, including payslips, letters from HMRC and any expense claims
- Buy a lever-arch file for print outs of your agreement letters and confirmation emails

## Record keeping for self-employed freelancers

If you are a sole trader or limited company you need to be much more organised, as you have to keep all records of income and business-related expenses for up to 6 years. You could be audited at any time in that period, which might involve a tax official coming to see you and going through all your receipts and records.

- Set up a system so you can keep a list of allowable expenses and income
- Buy a file to keep receipts (or proof of purchase) for all allowable expenses
- Keep the list and the file up to date on a weekly basis so that your tax affairs can be sorted immediately the tax year finishes. There's no need to wait until the deadline of 31 January
- Think about getting an accountant. This might cost a few hundred pounds a year, but should save you hassle and give you advice on allowable expenses

## What are allowable expenses?

There are only limited expenses which are allowed against tax for PAYE freelancers. For self-employed freelancers there is a longer list. It would normally include office costs, travel to meet potential clients or go on training courses, as well as an allowance for kit such as cameras and computers. There isn't space to go into

these here, but HMRC have guidance online and a good accountant will be able to help.

## Useful resources:

[www.gov.uk/expenses-if-youre-self-employed](http://www.gov.uk/expenses-if-youre-self-employed)

### Tax is going digital!

Did you know you can already log on to gov.uk and see your personal tax details? HMRC's Making Tax Digital project is also going to affect businesses, including sole traders. The new system starts in April 2019 but will only be compulsory for businesses, including sole traders, with a turnover above the VAT threshold [£85,000 in 2018-19]. Keep up to date with the government's plans and check BECTU's website ([www.bectu.org.uk](http://www.bectu.org.uk)) for comment and additional training opportunities.

## How National Insurance works

National Insurance (NI) is a kind of tax which can also bring certain benefits. There are four classes of NI. Which class you pay depends on how you earn. PAYE freelancers have Class 1 NI contributions paid for them through their employer's payroll - typically 12% of salary in 2018-19.

Sole traders have traditionally paid two classes of NI, both through their tax return at the end of the tax year. Class 2 (£2.95 per week in 2018-19) is being abolished from April 2019.

This means sole traders will only pay Class 4 NI. This is effectively an extra income tax for sole traders and the main rate is 9% of profits [2018-19], though this may change in coming years.

If you are both employed and self-employed there is a danger of paying twice. The National Insurance helpline will sort you out.

## Useful resources:

National Insurance Helpline - 0300 200 3500  
[www.gov.uk/topic/personal-tax/national-insurance](http://www.gov.uk/topic/personal-tax/national-insurance)  
[www.gov.uk/browse/tax](http://www.gov.uk/browse/tax)

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## Don't forget!

If you're a self-employed freelancer you'll be doing a tax return and getting a bill for the tax you owe. This means you need to put aside around 25% of whatever you are paid. Stick it in a deposit account and don't touch it until your tax bill arrives.

## How to get paid

PAYE freelancers will receive a salary, so that should come automatically once you're put on the payroll. Just check your bank balance regularly to ensure you're being paid on time.

Self-employed freelancers will normally invoice for work they've done. There is no rule that says you have to wait until you've done the work before you invoice, but in the entertainment and media industries it is custom and practice to be paid in arrears. Check with your client whether this is to happen daily, weekly or monthly and negotiate what works best for you.

Set up an invoice template on your computer. Invoices should include:

- tax point and invoice date - one date will do, but it has those two names
- a unique invoice number which you decide on. The simplest system is to use the next number each time you write a new invoice
- a purchase order [PO] number and/or supplier number if your client requires them. They will supply a new PO number to you every time you do a new job
- a meaningful description of the work you are invoicing for
- your terms of payment - usually a multiple of a week, or 30 days. It's up to you
- a statement that says you'll chase them for interest if they don't pay you on time (see below)

## Invoicing for expenses

Do not invoice for expenses unless this has been agreed upfront with the client. They may require you do put in a separate invoice for expenses - or they may have a policy of not paying

expenses for certain jobs. Don't assume anything, and check with the client first.

## Useful resources:

[www.davidthomasmedia.com/freestuff](http://www.davidthomasmedia.com/freestuff) - download a free invoice template to get you started

## What to do when people don't pay you on time

Self-employed freelancers need to be particularly organised about tracking invoice dates and payments. A wall chart or white board can be very useful for this, as you can see at a glance who owes you what.

There is legislation which allows small businesses and sole traders to charge interest and an admin fee if people don't pay according to agreed terms.

To make this work for you:

- ensure your payment dates and deadlines are agreed up front with your clients
- put 'tax point and invoice date' against the date on your invoices
- put your terms clearly on your invoice

If you're not paid by the date in your terms, ring up the finance or accounts person.

Don't hassle the person who gave you the work. They're not usually the one that gets you paid.

- Call finance the day after the invoice is late - you're not angry yet, so you'll have a polite conversation with the finance person
- Tell them you're just checking up on a late payment and ask them have they received your invoice or whether you made a mistake on it

Presuming there's no problem with your invoice, you should be paid straight away.

If numerous phone calls are getting you nowhere, you can use the legislation. It's outlined on the Pay On Time website.

## Useful resources:

[www.payontime.co.uk](http://www.payontime.co.uk)

## Thinking like a business

To come across as business-like and professional you need to think like a business.

Between contracts decide which days you will be working to develop your skills, do your admin and build relationships with possible clients or employers. Decide which days or parts of days you won't work at all.

## Do a bit of planning.

- Ask yourself who are the kinds of people who have authority and a budget to give you work. Write down their names and contact them one by one
- Always follow up emails with phone calls
- Find out what people value in you. Ask trusted colleagues what they think you do well. Ask regular clients and employers why they come back to you. (It's usually not price.)
- Identify what makes you different from other people in the industry. That's what you're really selling!

This will help you take control of your freelance life, and enjoy working in one of the most exciting industries in the world.

## Useful resources:

[www.bectu.org.uk/advice-resources/crewbus](http://www.bectu.org.uk/advice-resources/crewbus) - directory of BECTU freelancers  
[www.bectu.org.uk/advice-resources](http://www.bectu.org.uk/advice-resources)  
[www.thetalentmanager.co.uk](http://www.thetalentmanager.co.uk)  
[www.productionbase.co.uk](http://www.productionbase.co.uk)  
[www.theunitlist.com](http://www.theunitlist.com)  
[www.cultcymru.org](http://www.cultcymru.org) - joint project between creative unions in Wales

## Business support around the UK:

[www.gov.uk/browse/business](http://www.gov.uk/browse/business)  
[www.mygov.scot/business](http://www.mygov.scot/business)  
[www.businesswales.gov.wales](http://www.businesswales.gov.wales)  
[www.arts.wales/funding](http://www.arts.wales/funding)  
[www.investni.com](http://www.investni.com) - business support in Northern Ireland.

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