

Counting the true cost of a contractor accountant

[Limited company contractors](#) looking for an accountancy solution now have a huge number of service providers to choose from. However, many contractors get caught out by surprise bills, finding that the advertised monthly fee did not include everything they expected.

[ClearSky Accounting](#) Managing Director Derek Kelly advises contractors to check the small print of any accountancy provider they are considering, and to use the [checklist of 'costs to consider'](#) developed by ContractorCalculator, which is available to download at the end of this article.

"Limited company contractors have different characteristics to other small businesses and most contractors can place a cost value on their time," explains Kelly. "It is therefore easier for contractors to compare the costs of completing bookkeeping and accountancy tasks themselves, versus what they want to have done for them.

"But without a complete understanding of what a contractor accountant really costs, when you add in all the extras," he continues, "what might look like a great monthly fee can double when you throw in extras like personal tax returns, the costs of a spouse or even a relatively minor action like changing the amount you pay as salary mid-year."

Choose a contractor expert

Because contractor limited companies, usually with a single knowledge worker at the core, operate differently from most regular small businesses and are subject to legislation like [IR35](#), Kelly warns that most high street accountants will lack the right expertise.

"Contractor limited companies have to file [annual accounts](#), corporation tax returns and keep a company minute book like other small businesses," says Kelly, "but most small businesses don't have to factor in [IR35 contract reviews](#), and because their income and cost base tends to be stable, contractors generally don't need their accountant to be as 'hands-on' as, say a retail or hospitality business."

Contractors with an hourly rate that is higher than what their accountant charges would also generally be better off outsourcing everything and focusing on their contracting business, as attempting to save money by doing their own accounts would ultimately be a false economy.

What does your monthly fee buy?

According to Kelly contractors should check whether their fee is genuinely monthly and can be switched on and off on demand, or is simply an annual fee spread over 12 months: "Most contractor accountants advertise their monthly fees as 'from £x per month', which may mean the contractor can expect to pay for extras or simply that the accountant offers more than one tier of service."

A good example is ClearSky's two tier service; a standard offering that requires contractors to record all their transactions online and provides everything a single contractor business is likely to need, with a single IR35 contract review and short self assessment tax return, although unlimited 24 hour telephone and email support comes as standard. The cost for extras is transparent and contractors are told this when they choose this option.

The upper tier offering, about 20% more expensive, allows contractors to choose how they submit their financial information, and includes additional services such as quarterly management accounts, IR35 contract reviews throughout the year and provision for a spouse and employees as standard with the same 24/7 support from a personal accountant.

Using the contractor accountant comparison checklist

However, not every contractor accountant is as transparent as ClearSky, and to assist contractors to evaluate how the costs of different accountancy packages compare, ContractorCalculator has created a [checklist](#) contractors can complete, or even send to service providers to complete for them. Service providers that would like to suggest additions to the checklist are encouraged to contact ContractorCalculator by following the link at the bottom of this page.

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Derek Kelly, ClearSky Accounting

"The more obvious candidates that attract additional charges from accountancy suppliers are items like a spouse's tax return, letters to mortgage providers or dealing with HMRC correspondence," explains Kelly, "But less obvious are when a contractor leaves their supplier with a year's accounts outstanding and finds the accountant refuses to complete the work."

And if a contractor is determined to [change accountant](#), Kelly recommends switching at the beginning of a new financial year to ensure that, if the outgoing accountant proves uncooperative, the contractor can trade into the new financial year until the last year's accounts are settled.

"Contractors considering switching should use the checklist to request information from the accountants on their list to ensure they have a comprehensive priced quote covering all their likely requirements," concludes Kelly. "That way there won't be any unpleasant surprises at the end of the financial year, and contractors can focus on what they do best, leaving their contractor accountant to look after the finances."

To download the checklist choose right click on your mouse and select 'Save Target As...':



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