

Contractor guide to how online accountants manage tax and company year-ends

Contractors using an [online accountant](#) need no longer face a deluge of paperwork and frantic last-minute bookkeeping at their company and tax year ends. According to Carl Danvers of online accountant [inniAccounts](#), most tax and company year-end processes can now be largely automated, meaning less end-of-year stress for contractors.

"From a contractor's perspective, the process of creating and filing company and tax year-end accounts and paperwork will appear automated," explains Danvers. "As long as the contractor has kept their business records up-to-date during the year, there are no more forms to complete and sign."

And the benefit of using an online accounting system with features such as ongoing alerts and tax calculations means it is far less likely that a contractor will miss a critical filing date or payment.

Contractors have two year-ends

"Contractors will have two relevant timetables," explains Danvers, "that of the tax year which runs from April to March, and their company financial year, which will typically start in the month in which their limited company was first incorporated and end 12 months later."

Danvers notes that many contractors adjust their company year-end to be in synch with the tax year-end, but says that with an online accountant many of the benefits of running the two in tandem are no longer relevant.

"Because a contractor managing their contracting business via an online accountant maintains ongoing, live and accurate management accounts, they will have a snapshot of their financial position accurate to within a few pounds at any one time. This data can be used for company and tax year-end," he says.

An added benefit is that this 'live' data can be used to quickly and accurately complete the contractor's VAT returns.

Company year-end

Although the technology allows a live feed between a contractor accountant's system, HMRC and Companies House, Danvers explains that for quality control reasons and to enable a contractor to check their own company's figures the process is deliberately not totally automatic.

"The contractor's data from their online accountant's system will automatically populate things like end of year company account templates and corporation tax returns," he says. "But before they're despatched, qualified accountants will quality-check the output, and the contractor will then be required to electronically sign off on them before they are sent to HMRC and [Companies House](#)."

Assuming the contractor's records are completely up-to-date for the company financial year, the process of preparing and filing company accounts and corporation tax returns can take place in hours.

Tax year-end

According to Danvers, many contractors get concerned about the end of the tax year because it means completing several employment tax forms in quick succession, such as the P35, P60 and P11D. And traditionally, contractors have had only a few months to prepare the business records that enable their accountants to complete the forms by the May and July deadlines.

But, as he explains, online accountants once again largely automate the process: "If the contractor has entered all their business transactions into their online accountant's system up to 6 April, this information is used to automatically populate the P35 and P11D. So the contractor does not have to quickly assemble a year's worth of financial information!"

The same tax-year data is also used to prepare a contractor's personal tax return, if the contractor's earnings only arise from their contracting limited company. Additional manual intervention may be required if a contractor has multiple income streams or more complex tax affairs.

Danvers believes that online accountants provide the best of both worlds when year-ends arrive: "Contractors benefit from ongoing bookkeeping and the resulting automation, so all they then need to see are the correct tax forms to check and sign off. What they don't see are the qualified accountants in the background doing quality checking; and nor do they have to waste time visiting their accountant in person."

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Carl Danvers, inniAccounts



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