

## Why you need an accountant and not just accounting software

Accountants provide much more value to your contracting and freelance business than your accounting software or a bookkeeper. Your accountant ensures that your business stays compliant, that you pay no more than the tax that you should, and provides strategic advice to help you make key decisions about your business and financial goals.

Whilst your accountancy software might keep your books and be able to prepare a set of accounts, it only goes so far with compliance, cannot offer you tax planning and won't provide the input you need to evaluate your strategic options.

Although it might be tempting to have a go at your own company accounts or tax return to save a few pounds, the reality is you are likely to make a mistake somewhere that will end up costing you a lot more to unravel than the cost of a good accountant.

### Compliance is a central pillar of accountancy

As an independent professional running a limited company, you don't have the time or inclination to keep tabs on the stream of new tax legislation and guidance that is published by HM Treasury and HM Revenue and Customs (HMRC), or to mug up on changes to the [Companies Act](#).

In order that they maintain their professional chartered status, accountants are required to undertake continued professional development (CPD). This ongoing study ensures that accountants stay abreast of the latest changes to tax rules and company law.

Your accounting software is only as good as the information you enter. So even though it might have a module on company expenses that updates weekly, it takes a human being and experience to correctly categorise a business's running costs in the correct expenses classes, particularly if the expense is something unusual.

### Tax planning and accounting

Once you start earning gross fees of around £30,000 it becomes cost effective to run a limited company. And when you start earning over £50,000 – which begins to take you into higher rate tax territory – legal tax avoidance strategies become important.

Your accountant will be able to suggest tax mitigation strategies tailored to your personal circumstances as a contractor or freelancer. You might, for example, have recently married, and your accountant might suggest income splitting as a legitimate strategy to stay below the higher rate threshold.

When it comes to company and personal tax returns, it is best to leave it to the professionals despite the fact that you could complete your tax returns yourself online. Your accountant should save you much more in reduced tax liability than the cost of their fees.

### Strategic business partner

As your income grows and your freelance business matures, you may wish to start planning for the future. Your ambitions could be to do something as simple as running a contractor [limited company pension scheme](#) or you could be planning world domination.

Whatever your plans, if you involve your accountant at an early stage, they will be able to suggest measures you can implement now to ensure your journey to where you want to be is potentially faster, smoother, less expensive, more lucrative and lower taxed.

An accountant can also guide you through general small business legislation and rules specific to one-person concerns like yours. Chances are that if you come up against a challenge, your accountant has another client who tackled it successfully and you can benefit from your accountant's experience. That's particularly true if you choose an accountant with a background in supporting consultants, contractors and freelancers.

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### Don't try this at home

Because accountancy software is so powerful and can produce company accounts and tax returns at the click of a mouse, a common approach by many newcomers to small businesses is to do the first year with the help of an accountant, and then do subsequent years themselves.

This might help a contractor identify the correct processes, but it does not allow for the fact that new rules come into force all the time. And HMRC has a habit of throwing compliance orientated questions into tax forms that a non-accountant would find challenging to answer correctly without finding themselves on HMRC's radar for investigation.

If you want to save money, your accountant should be the first person you should ask, rather than whose services you cut. Relying purely on your accounting software and/or a bookkeeper, means you lose out on all the value your accountant can add to your consulting, contracting or freelance business.

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