

Working Freelance – Some Points to Consider

These notes are intended to give a general overview of some of the main issues associated with freelance work. As each person's circumstances are different, thorough investigation is necessary, which might include professional advice e.g. on legal and taxation matters.

The ClfA has a Policy Statement on self-employment – see <http://www.archaeologists.net/sites/default/files/PolicyStatements.pdf>

What is freelance work?

You are carrying out freelance work if you:

- sell goods or services to make a profit (including through websites or apps)
- run a business for yourself and take responsibility for its success or failure
- charge an agreed price for your work
- have several customers at the same time
- can decide how, where and when you do your work
- provide the main items of equipment to do your work
- can hire other people at your own expense to work for you
- are responsible for finishing any unsatisfactory work in your own time

Working freelance is usually the same as being self-employed or running a business, though from a taxation point of view you are not necessarily self-employed if you carry out a small amount of casual contract work or trading in addition to your main employment. There isn't a fixed threshold at which casual work becomes a business, but if the casual work takes up a significant part of your time or constitutes a significant part of your income, you should register with HMRC as self-employed.

You can be self-employed and an employee at the same time, e.g. if you work for an employer during the day and run a business in the evenings and at weekends.

What skills and experience do I need?

In order to take on a freelance contract, you need to be able to demonstrate you have the necessary skills and experience to do the job. This might be through your CV – i.e. evidence of contracts previously completed; through references; or through publications (online/grey lit/published hard copy).

Membership of the ClfA at the appropriate level is strongly recommended. As the ClfA is a well-recognised professional body, clients know that members are qualified,

competent individuals. An increasing number of employers expect/require ClfA membership for their employees, and thus would probably prefer a ClfA member when letting freelance contracts. Reduced subscription rates are available if your income is below a certain level.

The majority of freelance workers are specialists who have a particular skill to sell. In the past this was often some form of artefact analysis – pottery, bone, small finds – but today there are freelancers in most, if not all, areas of archaeology. These range from traditional artefact specialists through illustrators, editors, photographers, site assistants, IT, heritage management, and community archaeologists. There are also self-employed people offering small-scale commercial project services, covering anything from desk-based assessments to excavation.

Generally, freelance workers tend to be older (with the possible exception of IT), largely because to be a 'specialist', you need to have built up a body of experience. In addition, you probably need to buy equipment, some of which is expensive. The challenge for those starting out is how to gain the necessary experience, and how to fund the necessary equipment.

For some specialisms, a post-graduate course may be an appropriate starting point e.g. bioarchaeology or IT. Ideally, you would gain experience in either an employment or academic situation, although this is becoming more difficult, since commercial organisations often sub-contract such work to freelancers! The best advice for those starting out is probably to take opportunities as they come along, including unpaid opportunities. Get involved with a local society or community archaeology group – volunteers with some basic archaeological experience are always welcome, or volunteer on a research excavation and tell the Director you'd like to learn more about a particular area of work. Don't be too narrow in your focus – you need a broad view of archaeology to be able to understand the detail.

Start by moonlighting – do freelance work in your own time before you consider giving up the 'day job'. Be flexible – many freelancers do a variety of contracts, combining part-time regular jobs with contract work.

How do I get freelance work?

Personal contacts

Most freelance work arises from personal contacts, often from current or past employment or academic courses attended. It is important to let your personal contacts know that you are available for freelance work and the kind of work you are seeking.

Do not overlook networking opportunities at conferences and other events.

Invitations to tender

From time to time large organisations such as Historic England advertise for people to carry out specific tasks on a contract basis. Major HE contracts are now

advertised on the e-tendering site In-Trend; you need to register your interest as a supplier for certain types of work. Other adverts appear on websites such as the ClfA's Jobs Information Service and Training (<http://www.archaeologists.net/jis>) and British Archaeological Jobs Resource (BAJR – <http://www.bajr.org>) and SALON, the Society of Antiquaries of London Newsletter (<https://www.sal.org.uk/salon/>).

Sometimes the advert will specify a particular application or tendering process, but as a minimum you should expect to provide an up-to-date CV, details of two referees and a covering letter highlighting your relevant experience and explaining why you would be a suitable person to carry out the work.

Advertising

You should consider the best ways to advertise your services. At a basic level this might be no more than having a suitable business card, but you might also consider placing adverts in relevant publications such as the ClfA's Yearbook and Directory or on the BAJR website (<http://www.bajr.org>).

Mailshots

You need to identify the target market for your services. This is likely to involve some research to draw up a full list of those organisations that are possible sources of work and to establish who is responsible for letting contracts or commissioning freelance work. When writing to these organisations, it is probably better to send a short letter explaining the kind of work you are seeking and setting out your main skills, experience and qualifications rather than just sending your standard CV.

ClfA Registered Organisation status

You may decide that you would like to become a ClfA Registered Organisation. This will help publicise your services, but you will have to complete an application, which will involve ensuring that you have quite a range of policies and procedures in place, as well as an inspection of your organisation. You will pay an annual RO fee in addition to your membership fee. Registered Organisations have to repeat the application process every three years to ensure compliance with ClfA standards.

See <http://www.archaeologists.net/join/organisation> for details.

How do I organise the work?

Business structure

Working freelance usually means that you are running a business, and you must choose a suitable structure.

The main types of business structures are:

- casual working
- sole trader
- business partnership
- limited company

Casual working might be appropriate if you are doing a small amount of freelance work, perhaps in addition to paid employment. You need to keep records of your earnings and costs, and your net earnings are liable for income tax.

As a **sole trader**, you run your own business as an individual. You can keep all your business's profits after you've paid tax on them, and you are personally responsible for any losses your business makes.

You can employ staff. 'Sole trader' means you're responsible for the business, not that you have to work alone.

To become a sole trader, you need to:

- register as self-employed with HM Revenue and Customs (HMRC)
- keep records of your business income and outgoings
- submit a Self Assessment tax return every year
- pay Income Tax on the profits your business makes
- pay National Insurance

You must register for VAT if your business turnover is over £82,000. You can register voluntarily if it suits your business, e.g. you sell to other VAT-registered businesses and want to reclaim the VAT.

In an 'ordinary' **business partnership**, you and your business partner (or partners) personally share responsibility for your business. You can share all your business's profits between the partners, and each partner pays tax on their share of the profits. Each partner is personally responsible for their share of any losses your business makes and for bills for things you buy for your business, like stock or equipment.

Partnerships in Scotland (known as 'firms') are different, and have a 'legal personality' separate from the individual partners.

You must choose a name for your partnership and register it with HMRC. The nominated partner must submit a partnership tax return every year.

All the partners must:

- send a personal Self Assessment tax return every year
- pay Income Tax on their share of the partnership's profits
- pay National Insurance

The partnership will also have to register for VAT if you expect its takings to be more than £82,000 a year.

You can set up a limited partnership or limited liability partnership if you don't want to be personally responsible for a business's losses, but these are more complicated structures.

Carrying out your work through a **limited company** has distinct advantages as it separates the business from your personal finances. However, it is a much more complicated structure and is only likely to be worthwhile for large-scale activities.

A limited company is responsible in its own right for everything it does and its finances are separate from your personal finances. Any profit it makes is owned by the company, which can distribute its profits to shareholders.

Every limited company has 'members' – the people or organisations who own shares in the company – and 'directors' who are responsible for running the company. Directors often own shares, but they don't have to. Shareholders' responsibilities for the company's financial liabilities are limited to the value of shares that they own. Company directors aren't personally responsible for the company's debts.

To set up a private limited company you need to register with Companies House. This is known as 'incorporation'. You need:

- a company name – there are rules on what it can and can't include
- an address for the company
- the agreement of all initial shareholders ('subscribers') to create the company – known as a 'memorandum of association'
- details of the company's shares and the rights attached to them – known as a 'statement of capital'
- written rules about how the company is run – known as 'articles of association'

Once the company is registered you'll get a 'Certificate of Incorporation'. This confirms the company legally exists and shows the company number and date of formation. Your company will need to register for Corporation Tax within 3 months of starting to do business. The company must register for VAT if you expect its takings to be more than £82,000 a year.

Every financial year, the company must:

- put together statutory accounts
- send Companies House an annual return
- send HMRC a Company Tax Return

Each director of a limited company must:

- fill in a Self Assessment tax return every year
- pay tax and National Insurance through the PAYE system if the company pays the director a salary

There are many other legal responsibilities involved in being a director of a limited company. You may be fined, prosecuted or disqualified as a company director if you don't follow the rules.

Bank accounts

You may be able to use a personal bank account for some of your self-employed work, but it is becoming more difficult with some clients, particularly large organisations, whose systems now often require subcontractors to hold business accounts. Applying for a business account is a reasonably straightforward, but bureaucratic procedure.

Contracts

Most freelance work consists of carrying out a specific task or range of tasks and there needs to be a contract between the client and the supplier which sets out, as a minimum:

- a description of the work
- timescale
- quality measures
- any constraints on how or by whom the work is carried out
- price and payment terms (e.g. fixed price or price per day)

Depending on the type of work, the contract might also cover issues such as facilities to be provided by the client, penalty payments, public liability, ownership of intellectual property, confidentiality.

The contract could be anything from a standard document used by a large organisation to a simple exchange of emails. A spoken agreement is not recommended as it would be very difficult to enforce.

Place of work

Many freelance workers work from home. Obviously this requires there to be a suitable working area, ideally an office or study away from domestic distractions, and access to any necessary equipment such as a computer, printer, and internet. You will also need licenses for computer software, and appropriate IT backup facilities, e.g. some form of cloud storage.

If you carry out fieldwork, or work with objects (artefacts or ecofacts), you will need to have sufficient space both for working and storing materials and/or tools.

If you work partly freelance and partly for an employer, it might be possible to use the employer's premises and equipment to carry out your freelance work, though obviously this would need to be with the employer's agreement and you should expect to make a suitable payment.

For large, long-term contracts, renting of premises and hiring or purchase of equipment might be necessary, but is beyond the scope of these notes.

You should also consider what you would do in the event of your work being disrupted by a disaster such as a fire or flood.

Employing other people

An advantage of freelance work is that you can employ other people to assist you, either to carry out particular specialist tasks or more generally if you are fortunate enough to have more work than you can undertake yourself. Generally it would be best to engage other people on a freelance basis and it is important to ensure that your contracts with them are consistent with your contract with your client, e.g. in respect of timescale, quality, etc. Do not forget that your client's contract is with you and there is no direct relationship between the client and your sub-contractor.

For large or long-term tasks it might be appropriate to engage other people as your employees rather than as contractors. This gives both parties greater security, but should not be undertaken lightly as an employer's responsibilities can be quite onerous in areas such as minimum rates of pay, holiday pay, tax & national insurance, pensions, health & safety, working conditions, redundancy & dismissal.

What can I charge?

The most difficult question of all! The simple answer, as in all things, is: what the market will pay. However, it is important to understand how a daily rate actually relates to an equivalent yearly salary.

A useful rule of thumb is to take the salary you are aiming to achieve and divide by 100 to give your day rate. So, if you think the work you are offering would merit a salary of £25,000 per annum, your day rate should be c £250.

This might seem, at first glance, to be rather high, but there are various things you need to consider. Firstly, you won't be doing paid work 'full time' – at least some of your time will be taken up preparing estimates and tenders for jobs you don't win. Secondly, you don't get paid holidays or sick pay when you are freelance, so you need to factor those in. Thirdly, as explained below, there are various costs that you need to cover, such as National Insurance, Professional Indemnity Insurance, and pension provision, and that's before you start buying equipment and paying for ongoing costs such as internet, heating, maybe rent etc. You will also have to fund your own CPD and training, and attendance at conferences; but don't be tempted to ignore these – they are just as important as for employees.

But you don't have to stick rigidly to this – it's a guideline. You need to consider each contract individually. If you fail to win contracts, ask for feedback on why not. They may not tell you outright that it was because you were too expensive, but you may get some clues. Other factors may be involved, such as how long you thought the job would take. Don't under-sell yourself – it doesn't help the profession as a whole – but be realistic. All members of the ClfA are required under the Code of Conduct to endeavour to meet or exceed the minimum salary recommendations at the appropriate rate for all employees, sub-contractors and themselves.

However, while the ClfA minimum salary guidelines are helpful, your rate needs to reflect both the person and the work involved. You may have ClfA Member status, but if the work you are tendering for would normally be done by someone of Associate status, that is the rate you should be looking at. As you gain experience, you may be able to increase your rate. You also need to be clear exactly what the contract is for: are you simply doing a report, for example, or does it involve a degree of project management as well. The current ClfA minimum salary guidelines for 2016/2017 (from 1 April 2016) are: PCIfA responsibilities £17,646; ACIfA responsibilities £20,561; MCIfA responsibilities £26,568.

Methods of charging

Methods of charging vary, and you need to be clear what the terms are. Make sure you understand the difference between an estimate and a quotation; are you quoting separately for expenses?; is it a 'fixed price' contract or 'time & materials'? If it is 'fixed price', you need to factor in any risks because you can't go back and ask for more money if the job proves to be larger or more difficult than you thought.

If it is a large project, make sure you understand the reporting procedures and whether you can claim 'stage payments'. If you gave an 'estimate', you need to keep the client informed about progress and whether there is likely to be any significant changes to the price. Some freelancers will quote a lower day rate for a long-term or large-scale project, as they have guaranteed work for a period of time.

What tax do I need to pay?

Income Tax

Freelance earnings are liable for income tax, though you can offset any expenses 'wholly and necessarily' incurred in carrying out your business. This might include costs such as travel (but not from home to your normal place of work), paper and printing, payments made to sub-contractors, membership fees to relevant professional bodies. If you work from home it might be possible to claim a proportion of your energy bills. It might also be possible to claim capital allowances for purchase / renewal of essential equipment. Your own fees are not a cost – they are the net earnings or profit that remains when costs are subtracted from your gross earnings and it is the profit that is taxed.

Freelance earnings are combined with your income from all other sources and your total net income is taxed. The main rates for the 2016/17 financial year are:

£0 to £11,000	0%
£11,001 to £42,000	20%
£42,001 to £100,000	40%

Different effective rates apply when total earnings exceed £100,000 as the 0% band is progressively withdrawn and a 45% rate applies to earnings above £150,000.

If you have self-employed earnings, you must complete a self-assessment tax return each year. There are different forms according to how you conduct your business and your level of earnings:

Casual earnings	Main form SA100, under 'Other UK income not included on supplementary pages'
Sole trader	Self-employment supplementary pages. There is a short version SA103S for earnings below £81,000 and a long version SA103L for earnings of £81,000 or more.
Partnership	Partnership supplementary pages. A short version SA104S can be used in many cases, and there is a full version SA104F for more complicated partnerships e.g. with foreign earnings or property income. A separate tax return SA800 has to be submitted for the partnership in addition to the individual tax returns of the partners.
Limited Company	Dividends from company shares are declared on the main form SA100. Employment supplementary pages SA102 need to be completed if you receive income and/or benefits in kind as a company director. The company is liable for corporation tax on its profits and a separate company tax return has to be submitted for this purpose.

If you carry out more than one business as a sole trader, partnership or limited company, you must submit separate supplementary pages for each business.

Income tax returns must be submitted by 31st January for the financial year ending the previous April, i.e. by 31st January 2017 for the financial year from 6th April 2015 to 5th April 2016.

Most self-employed people need to pay their income tax in two equal instalments known as 'payments on account' in January and July, together with a 'balancing payment' by the following January. The amounts of the payments on account are based on the previous year's tax bill, though you can apply for a reduction if you believe your earnings will be lower than in the previous year.

So, for the 2015–16 tax year the process would be:

6 th April 2015	Start of financial year
31 st January 2016	First payment on account (equal to 50% of 2014–15 tax bill)
5 th April 2016	End of financial year
31 st July 2016	Second payment on account (equal to 50% of 2014–15 tax bill)
31 st January 2017	Submit tax return and make balancing payment of the difference between the tax due and the payments on account already made (this might be a refund)

Payments on account are not necessary if the tax due is less than £1000 or if you are also an employee and pay more than 80% of your total income tax through PAYE. Instead a single payment is made when the tax return is submitted.

VAT

If the turnover of your business is over £82,000 p.a., you must register for VAT with HMRC and you must charge VAT on your sales of goods and services. The standard rate is 20%, but some goods and services are exempt or zero-rated, e.g. books and journals, private tuition, sales outside the EU.

If your business is registered for VAT, you can reclaim the VAT you pay for bought-in goods and services, normally by off-setting it against the VAT you collect from your sales.

VAT returns are normally submitted every 3 months. Small businesses can opt to submit a single annual return, but this requires payment in advance based on estimated turnover.

If your turnover is less than £82,000 p.a., you can choose to register for VAT. This is only likely to be of benefit if you expect the VAT refunded from your costs to exceed the VAT you charge on your sales. If you do not register, you do not charge VAT on your sales and cannot recover any VAT paid as part of your costs.

National Insurance

Most self-employed people pay two types of National Insurance: Class 2 if your profits are £5,965 or more a year and also Class 4 if your profits are £8,060 or more a year. The rates for 2016–17 are:

Class 2	£2.80 per week
Class 4	9% of profits between £8,060 and £43,000 2% of profits over £43,000

Payment is now usually made together with your income tax.

If your profits are less than £5,965 you might want to pay Class 2 contributions on a voluntary basis to maintain your entitlement to the state pension and other benefits such as maternity allowance.

Persons under 16 or over state pension age are exempted from paying Class 4 NI contributions.

Company directors pay Class 1 NI contributions in the same way as employees on earnings over £8,060 p.a., and the company also pays employer's NI contributions.

Pensions

As a self-employed freelance worker, you will not be building up an entitlement to an occupational pension, though you may have pension rights from other current or past employment. Therefore you will need to consider how to provide for an adequate retirement income. The most obvious option is to pay into a personal pension, which has the advantage that the contributions are free of income tax. Alternatively, you might consider other kinds of long-term investments or just paying into an ISA.

There are many providers of personal pensions and other long-term investments and you should shop around and consider taking proper independent advice.

Insurance

The main providers of insurance for archaeological work are Towergate Insurance (www.towergate.co.uk/archaeology) and E&G Insurance Services Ltd (www.archaeology-insurance.co.uk), who will be able to advise you about what cover you require. A useful summary of the main types of insurance can be found on the BAJR website at: <http://www.bajr.org/BAJRResources/insurance.asp>.

There are three main types:

Professional indemnity insurance

Professional indemnity insurance protects you against claims arising from your actions or omissions in carrying out your work, e.g.

- financial loss
- damage to reputation
- data protection issues
- intellectual property issues

You should consider carefully what risks to your client or any third parties might arise from your work and insure accordingly. Remember that this insurance covers the costs of being sued, and that court costs are high, so although the sums mentioned might seem eye-watering, the alternative could leave you bankrupt and without a home. Insurance would normally cover the legal costs of defending a claim as well as any payment necessary if a claim is upheld. Archaeological Professional Indemnity Insurance is relatively expensive, but an important/vital consideration. It may be required by some clients.

Employer's Liability insurance

If you are *employing* other people (rather than sub-contracting), you *must* have Employer's Liability insurance. This also includes volunteers working for you.

Depending on the type of work, you may need to have Public Liability insurance as well. This may well be required as standard when working for certain organisations,

irrespective of actual need. However, it is not as expensive as archaeological Professional Indemnity insurance.

Public Liability insurance

Public liability insurance is designed to cover businesses from the risk of being sued by a member of the public. While this is not a legal requirement, small businesses, voluntary groups and societies are advised to take such insurance.

Insurance in case of ill health

It is possible to take out income protection insurance in case you are unable to work for a long period due to ill health. If you and your family rely on your self-employed earnings you may want to consider this, however unlikely this might appear.

Intellectual Property

Intellectual property is something unique that you physically create. An idea alone is not intellectual property. For example, an idea for a book doesn't count, but the words you've written do. It includes:

- things you write, make or produce
- names of your products or brands
- inventions
- the design or look of your products

Copyright, patents, designs and trade marks are all types of intellectual property protection. You get some types of protection automatically, others you have to apply for.

You own intellectual property if you:

- created it (and it meets the requirements for copyright, a patent or a design)
- bought intellectual property rights from the creator or a previous owner
- have a brand that could be a trade mark, e.g. a well-known product name

You usually won't own the intellectual property for something you created as part of your work while you were employed by someone else. For freelance work, this is a 'grey area' and it is best to cover ownership of IP rights in your contract for the work.

The type of protection you can get depends on what you've created.

Automatic protection

Copyright Writing and literary works, art, photography, films, TV, music, web content, sound recordings

Design right Shapes of objects

Protection you have to apply for

Trade marks	Product names, logos, jingles
Registered designs	Appearance of a product including, shape, packaging, patterns, colours, decoration
Patents	Inventions and products, e.g. machines and machine parts, tools, medicines

Keep these types of intellectual property secret until they're registered. If you need to discuss your idea with someone, use a non-disclosure agreement.

More than one type of protection could be linked to a single product, e.g. you could:

- register the name and logo as a trade mark
- protect a product's unique shape as a registered design
- patent a completely new working part
- use copyright to protect drawings of the product