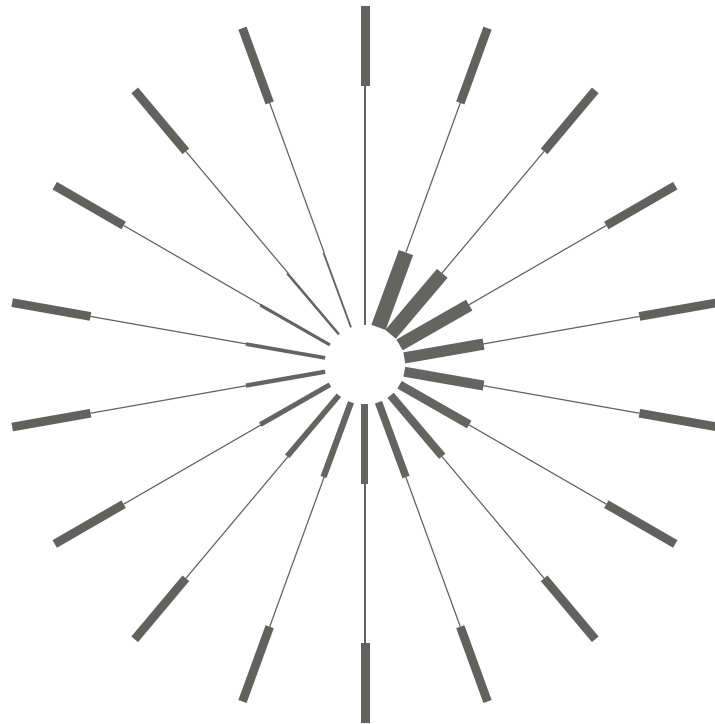


# Guide to becoming a self-employed lawyer in the United Kingdom



**Peerpoint.**

by ALLEN & OVERY



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## • Legal consulting – a new way of working

Most lawyers are familiar, and most comfortable, with being employed, whether at a law firm or in-house, and with the long-established partnership model. As the legal profession continues to undergo change, a variety of possibilities have started to emerge.

One of the most popular options is to become a consultant – also variously known as being self-employed, freelance or a contractor – and although it is relatively new to many lawyers, it is a very familiar and popular approach for professionals in other sectors, including accountants, engineers, and in IT.

Although it is not right for everyone, it is an approach which offers individuals greater control than is often possible within a traditional employment relationship. There are a variety of reasons why you might wish to become self-employed and the Peerpoint structure is designed to help you achieve those goals whilst still giving you a high quality of work.

As a Peerpoint consultant, you will become one of this emerging new breed of lawyers. So what does it mean in reality, and how do you go about becoming self-employed? It really is a great deal easier than you might expect!

This guide is intended to give some insight into self-employment in the United Kingdom, and an indication of what is involved and how to go about it. It is not an exhaustive guide and does not constitute formal advice from Allen & Overy or Peerpoint. There are numerous sources of information available online and you should consider seeking independent advice.

Finally, many of our consultants are happy to share their experiences both of setting up their Personal Services Company and working as a Peerpoint consultant. We have consultants working in a variety of ways and for a mixture of personal circumstances; if you would like to arrange a confidential chat with one of them, please speak to a member of the Peerpoint team.



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## Peerpoint – the right choice for you?

Peerpoint provides a panel of experienced, high-calibre contract lawyers to work on top-quality legal placements within Allen & Overy and with our clients.

### Peerpoint offers:

Lawyers the  
opportunity to take  
greater control  
of their careers.

Clients high-quality  
lawyers to meet  
resourcing needs.

The firm the  
ability to augment  
the permanent  
workforce at times  
of high demand

Peerpoint is an inspired way of working for those lawyers who not only want challenging and varied work but want to work at the pinnacle of our profession. Peerpoint offers the career choice to those wanting to continue to work at this level but with more control over the type of work they do.

As a Peerpoint consultant you'll be backed by one of the world's foremost international legal practices, with access to all the relevant training, market-leading know-how and insurance. We know that, while your career is important, so too is the time and space for other things in your life and Peerpoint gives you the opportunity to manage that balance.

As a Peerpoint consultant you'd be joining a community of elite lawyers:

**75%**

Peerpoint consultants  
with in-house experience

**80%**

have over 8 years' PQE

**40%**

A&O alumni

With Peerpoint our lawyers have the chance to be placed with both A&O and with some of the world's leading companies in London, Hong Kong, Australia and Singapore. Not only do our consultants have the opportunity to take on career defining roles but they are the ones controlling their career. So why wouldn't you join?

For more details about Peerpoint and how talented lawyers are working differently, go to [peerpoint.com](http://peerpoint.com).

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# The basics of self-employment

All Peerpoint consultants are self-employed. Rather than being employed by Allen & Overy or Peerpoint you will set up and work for your own Personal Services Company (PSC).

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In the UK, this is a simple limited company which you own and run. It is your company which will enter into contracts on your behalf, issue invoices to clients, including Peerpoint, and be responsible for your remuneration.

Of course, there is more to it than simply setting up a PSC. It is most important that you understand and are comfortable with self-employment. For example:

- Your PSC will be responsible for all your employment rights, including paid leave, pensions and other benefits.
- You, through your PSC, will normally be paid an hourly or daily rate by your clients, including Peerpoint, which will appear to be higher than employed lawyers' rates. This reflects that your PSC will need to provide relevant benefits and for time off. Payments to your PSC will be gross of any tax and it will be entirely your decision how to structure your payments and to ensure that all taxes including National Insurance contributions (NICs) are paid correctly.
- As a self-employed consultant, you are not obliged to work exclusively for one client. You will also have no guarantee of work from your clients and, conversely, you have no obligation to take on work that is offered – this is part of the benefit of being a consultant. We at Peerpoint will have an honest discussion with you about likely volumes of work so that you can be clear where you stand.

There are many sources of information online for those considering becoming a consultant. Please read on for more details about the practicalities of setting up and running your own PSC.

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# Setting up and running a PSC

## When to set up your PSC

You must have your PSC in place before entering into your first contract, but it can be very quick to arrange so you can avoid incurring ongoing costs before earning an income as a consultant. The sections below outline the key steps to setting up a PSC. Most steps are surprisingly simple and fast.

## Appointing an accountant

It is possible to set up and manage your own PSC, however, most consultants prefer to appoint an accountant to assist them. Accountants are experienced in these matters and can carry out all of the set-up described in the following sections efficiently. They can offer personal advice, including ensuring that you run your company in a tax-efficient manner.

Many accountants will work on a monthly fee basis, usually somewhere between GBP90 and GBP150, which will often include all the set-up work – incorporation and tax registrations – as well as annual processes like your tax returns. You can also agree additional services, such as preparing and sending invoices on your behalf.

It is our recommendation that you consider appointing an accountant to help you. If you don't have an accountant, we can put you in touch with accountants used by other consultants.

## Establishing a limited liability company

This is the incorporation of your own limited company, of which you will appoint yourself as director and shareholder. You will have to choose a name for your company.

In the eyes of the law, the company has a life of its own. For example, it will actually be the company that enters into contracts and not you. In most cases, it will also be the company that is responsible for its debts, should there be any. You will have 'limited liability', which means, in practice, that your personal assets are protected. Your accountant or tax adviser will advise you on running your company in the most tax-efficient manner for your circumstances.

Registering a limited company can be done in several ways:

- online, directly on the Companies House website
- on paper, by sending completed forms available from Companies House
- by using the services of an incorporation agent, which will charge to help you through the process
- by your accountant, if you have appointed one.

All of these, apart from the 'paper' option, are usually completed on the same day.

## Corporation tax

Your PSC must be registered for corporation tax with HM Revenue and Customs (HMRC), which is done at the time of incorporation with Companies House. Your PSC is also required to prepare and submit annual accounts to HMRC and to file a corporate tax return annually.

Your accountant or tax adviser can explain about corporation tax and usually performs both the original registration and the annual accounts and filings on your behalf.

## Pay As You Earn (PAYE)

As an employer, albeit of one employee (you), your PSC must operate a payroll, usually under the PAYE scheme, which recently switched to operating in real time online. Your PSC must register for the scheme with HMRC. You can do this yourself but, once again, most accountants can not only carry out the registration but also run the monthly payroll on your behalf – issue payslips, manage all notifications and deductions – and handle the associated annual processes.

Your accountant will be able to advise you on taxes to be deducted at source, as well as the current levels of employer and employee NICs that your PSC will need to make.

### Value Added Tax (VAT) registration

If your PSC's turnover exceeds, or is predicted to exceed, a certain threshold (ie over GBP85,000 of taxable turnover from 1 April 2017), you must register for VAT. Once again, most accountants will undertake the registration and administration on your behalf.

When you are registered for VAT, you must add it, at the current rate, to each invoice, then – once per quarter – pay the total gathered to HMRC. You are allowed to offset any VAT that your PSC has paid during that period – for example, on IT equipment. Alternatively, you may choose to enrol in the Flat Rate VAT scheme. You can read more about this scheme on the HMRC website, or discuss whether it is appropriate with your accountant.

VAT returns are made quarterly online and can be completed by you (once registered on the relevant website) or by your accountant.

### Opening a business bank account

As a separate entity, a limited company must have a separate business bank account. A business current account works in a similar way to a personal bank account, but enables you to keep your business transactions separate from your personal finances. This makes life much more straightforward when it comes to managing cash flow and calculating your tax liability at the end of the year.

The most basic business accounts consist of a cheque book and a paying-in book, but should also offer online banking, and some will offer a debit card for business expenses. Generally, this is preferable to the expense being routed via your personal accounts and a later expense claim (see the later section covering Expenses).

Note that setting up a new account can take some time and it is advisable to attend the bank to start this process as early as possible to avoid having to use a personal account in the early days of trading.

### IR35 or 'disguised employment'

IR35 is UK legislation intended to eliminate the avoidance of tax and NICs through the use of intermediaries, such as PSCs or partnerships, in circumstances where an individual worker would otherwise be considered an employee of the client.

Peerpoint does not engage consultants to disguise employment at Allen & Overy; the nature of any engagement, your working practices, and the level of choice and control that you have are different to those of employees. The rates of pay you are offered is on the assumption that you and your PSC may have to pay tax and NICs at the same rate as employees.

However, Allen & Overy and Peerpoint are not offering formal advice on this and you should seek your own advice about the IR35 legislation and satisfy yourself regarding your own arrangements.

### Insurances

Whilst working with Peerpoint (whether working directly with Allen & Overy or on behalf of Peerpoint or Allen & Overy, with a client), you will be covered by the Allen & Overy professional indemnity insurance scheme, subject to the terms and conditions of the scheme.

Note that you will only be covered for work you undertake on behalf of Peerpoint or Allen & Overy. You will not be covered for work undertaken for other clients on your own account and you should consider whether you need to take out a separate policy for that work

### Self-assessment tax returns

Strictly speaking, this is not part of the PSC set-up but, as a company director, you have to register for and complete a self-assessment tax return each year.

Your accountant can register on your behalf as part of the PSC set-up. It is possible to do this yourself, and there is an HMRC guide on how to register.

### Expenses

There are special provisions and allowances for business expenses which you should ensure you understand in order to maximise the tax efficiency of your PSC. HMRC has produced a comprehensive guide entitled 'Expenses and benefits – A tax guide' but, once again, your accountant will be able to provide personalised and specific advice to help you plan and manage your PSC in the most efficient way. The HMRC rules state that expenses can be claimed provided they are wholly and exclusively for the purposes of your business, which means you can claim things like:

- company formation fees and accountancy fees
- business travel and accommodation
- postage, stationery and telephone calls
- training and subscriptions, including a Practising Certificate
- IT equipment such as computers, laptops, printers and mobile phones
- insurance
- contributions to an executive pension plan
- business entertainment.

### Annual Companies House requirements

Companies House requires the following submissions annually:

- filing of annual return
- filing of statutory accounts and associated resolutions.

If you choose to administer your company yourself, the forms are relatively easy to complete, and may be submitted online but, typically this will be included in the service from your accountant. Note that there are a number of other intermittent filing requirements for a limited liability company, with which you should familiarise yourself.

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## What next?

The Peerpoint team can provide general guidance on setting up and running your PSC. Additionally, many of our consultants are happy to share their experiences.

If you have further questions, do contact a member of our team.



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## GLOBAL PRESENCE

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Allen & Overy is an international legal practice with approximately 5,400 people, including some 554 partners, working in 44 offices worldwide. Allen & Overy LLP or an affiliated undertaking has an office in each of:

Abu Dhabi	Bucharest (associated office)	Ho Chi Minh City	Moscow	Seoul
Amsterdam	Budapest	Hong Kong	Munich	Shanghai
Antwerp	Casablanca	Istanbul	New York	Singapore
Bangkok	Doha	Jakarta (associated office)	Paris	Sydney
Barcelona	Dubai	Johannesburg	Perth	Tokyo
Beijing	Düsseldorf	London	Prague	Warsaw
Belfast	Frankfurt	Luxembourg	Riyadh (cooperation office)	Washington, D.C.
Bratislava	Hamburg	Madrid	Rome	Yangon
Brussels	Hanoi	Milan	São Paulo	

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