ZAZEN TAX

# Pricing Freelance Work

Working out a rate from what you need and the days you can actually bill, rather than from what everyone else charges.

Eight chapters, built around one worked year.

**zazentax.com**

# Contents

One example runs through the whole book: a freelancer who needs £64,000 out of the year.

# 1. Why freelance pricing goes wrong

Almost everyone prices by looking sideways. They find out what other freelancers charge, and pick a number near it.

The problem is that the other freelancers did the same thing. Nobody in the chain has worked out what the number needs to be, so the whole market drifts towards whatever sounded reasonable to somebody in 2019.

A rate has to cover more than the hours it buys. It carries your holiday, your sick days, the time you spend selling and invoicing, your equipment, your pension, and the tax on all of it. An employer covers those things separately. Freelance, they are all inside the one number.

## 2. The year has 167 billable days

Not 365, and not 260 either.

| | Days |
|---|---|
| Weekdays in the year | 261 |
| Holiday, at the statutory minimum | 28 |
| Sick, assumed | 5 |
| Selling, admin, invoicing, learning | 61 |
| **Billable** | **167** |

167 out of 261 is 64 per cent utilisation. That is a normal, healthy freelance year rather than a pessimistic one. The 61 days of non-billable work are not waste: they are how the next engagement arrives.

> **THIS IS WHERE MOST RATES GO WRONG**
>
> Divide what you need by 260 instead of 167 and every number after it is too low by a third. It is a single arithmetic choice, made once, usually without noticing.

## 3. What an employed equivalent really costs

If you are pricing against a salary you used to earn, price against what that salary cost the employer.

| | Amount |
|---|---|
| Salary | £55,000 |
| Employer National Insurance at 15% above £5,000 | £7,500 |
| Minimum pension at 3% | £1,650 |
| **Total cost to the employer** | **£64,150** |

£64,150 over 167 billable days is £384 a day. That is what it costs to have someone on £55,000, before an office, a laptop, training, or any of the paid time off that is already in the day count.

> **QUOTE THAT NUMBER WITHOUT FLINCHING**
>
> A client comparing your £384 to a £55,000 salary is comparing the wrong things. £384 a day is the same person at the same cost, with none of the commitment and none of the employer's obligations.

# 4. Working back to a rate

Start from the total you need out of the year, including tax, and divide by the days you can actually bill.

Our freelancer needs £64,000 of income. Over 167 billable days that is £383 a day.

| Divided by | Rate | Year at that rate |
|---|---|---|
| 167 billable days | £383 | £64,000 |
| 260 weekdays | £246 | £41,108 |

THE £22,892 MISTAKE

Both rates were calculated from the same £64,000. Charge the £246 and bill the 167 days you actually have, and you finish the year £22,892 short. Nothing else about the business has to go wrong.

And £64,000 of income is not £64,000 in your hand. After £9,000 of costs the profit is £55,000, and the tax on that is £11,789. Work back from what you need to keep, not from what you need to invoice.

## 5. Utilisation, measured rather than assumed

Every rate rests on an assumption about billable days. Almost nobody checks it afterwards.

Log every day as billable or not. At the end of each quarter, divide one by the other. If you assumed 64 per cent and you are running at 50, your rate was wrong by a quarter from the day you set it, and no amount of working harder fixes it.

> **DO NOT AVERAGE THE QUARTERLY PERCENTAGES**
>
> Add the days and divide once. Averaging four percentages gives each quarter equal weight regardless of how many days it contained, and the answer it gives can fall either side of the true figure. It is not reliably optimistic, which is worse than a bias you can correct for.

# 6. Day rate or fixed price

A day rate sells your time. A fixed price sells an outcome, and the difference in risk should be in the number.

| | Day rate | Fixed price |
|---|---|---|
| Who carries overrun | The client | You |
| Rewards | Time spent | Getting faster |
| Needs | Trust | A scope you can defend |
| Scope creep shows up as | More days | Lost margin |

Fixed price is where experienced freelancers earn more, because getting quicker stops being a pay cut. It is also where they lose most, because an undefined scope has no ceiling. Price fixed work off your day rate and your honest estimate, then add a margin for the risk you have just taken on.

> TWO ROUNDS OF REVISIONS, IN WRITING
>
> Unlimited revisions turn a fixed price into a variable cost, which is not a price at all. Say how many are included and what another one costs, before the work starts.

# 7. Raising your rate

Rates do not rise on their own, and inflation is a pay cut you take by doing nothing.

— Set a date each year to review the number, and put it in the diary.

— Raise it for new clients first. It is easier, and it tells you whether the market agrees.

— Give existing clients notice and a date rather than a negotiation.

— Do not justify it. A rate is a price, not a request.

— Expect to lose a client or two. If you lose none, the rise was too small.

# 8. The client that costs you money

Fees tell you who your biggest client is. Fees over hours tell you who your best one is, and they are often not the same.

Track hours by client, including the unbilled ones: the calls, the revisions, the chasing. Divide the fee by the total. A client at half your effective rate is being subsidised by everyone else you work for.

- Late payment is a cost. You are lending money at your own expense.
- Scope creep is a cost, and it is invisible until you measure the hours.
- A client who books and cancels is a cost, because the day is gone either way.

You are entitled to statutory interest at base plus 8 per cent on a late commercial debt, plus a fixed sum of £40, £70 or £100 depending on the size of the invoice. Most freelancers never claim it. Mentioning that you can, once, changes how some clients schedule payments.

# Where to go next

The Day Rate Calculator does chapters two to four on your own figures. The Utilisation Tracker measures chapter five instead of assuming it, and the Client Profitability Tracker answers chapter eight.

Every calculator and workbook mentioned in this book is free on zazentax.com, with no email form. They use the same figures and the same rates as the chapters here.

---



*General information, not advice for your circumstances. Rates are 2026/27 for the UK and change from time to time.*