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 Payments Pro

 Payments Pro

Working Under Umbrella PAYE

What it means to you and why your agency has told you to use an umbrella PAYE solution.

Working Under Umbrella PAYE

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Introduction

In today's environment of ensuring compliance when contracting, everyone should have a go-to umbrella service. We strive tirelessly to be that umbrella.

Most people are familiar with standard Pay as You Earn (PAYE). If you use this option, it means that the agency runs the payroll. If you go with the umbrella PAYE option, they'll run your payroll in-place. By using an umbrella you also gain a number of additional benefits that are specially tailored for temporary workers.

The biggest benefit is the increase in your hourly or daily rate from your agency. This is because your agency no longer has to cover the expense of running an in-house payroll and so, pass this saving on to the contractor.

When you join an umbrella, you gain the flexibility of being a contractor with the reliability of having employed status. This means that your umbrella can pay you benefits, such as maternity and paternity pay and sick pay when you're under the weather.

As your sole employer your Umbrella will be able to pay you for all of your assignments even if it is from multiple agencies. You get the benefit of one employer, one pay day, one tax code and one P60. This will simplify your tax affairs and will make it easier to prove your income (for example, on a mortgage, loan or visa application).

What is an Umbrella Company?

What we do

An umbrella payroll company is a service that employs agency contractors who work on fixed and temporary contract assignments, usually through a recruitment agency.

They also serve as an intermediary between the contractor and their end client or agency.

The principle function of an umbrella company is to organise payment for the contractor. To do this they collect the contractor's earnings from the end client or agency and then pay it onto the contractor after Tax and National Insurance Contributions are deducted.

How does an umbrella work?

An umbrella at its most basic level ensures that the contractor gets paid, and more importantly, paid legally. We are an employer for contractors and make sure the correct Tax and National Insurance contributions are paid correctly and compliantly.

When employed by Payments Pro, the contractor receives all the benefits and rights of a standard PAYE employee such as holiday pay, sick pay, maternity and paternity pay as well as a pension plan.

One of the main benefits of being employed by an umbrella is that while the contractor is with them, they are continuously building up employment history. This helps with any applications that ask 'how long have you been with your current employer?'

What is payable under umbrella?

When using an Umbrella company the contractor is liable for:

- * **Tax** - This is dependant on HMRC, all information and the contractors earnings are submitted on a weekly basis in-line with HMRC and their RTI (real time information system). HMRC calculate what the contractor has earned gross that full week and tax accordingly.
- * **National Insurance** - 13.25% of gross salary. This is after earning over £166 a week.
- * **NIERS** - Employers National Insurance - 15.05% This is the most frequently asked question from contractors. They are liable for both sets of NI. The reason for this is because the only fee the Umbrella company should take is the margin fee.

Company margin (fee)

When you work with an umbrella, a company margin or fee is paid usually on a weekly or monthly schedule. This fee is for the processing of your payroll as well as any other services they may offer.

Umbrella companies can vary in how they charge and what they charge for. Please see below for some examples of a fee structure:

- * **Percentage of wage:** The more a contractor earns the more the Umbrella takes
- * **Add ons:** Fee is quoted over the phone, then when they sign up their is extra add-ons to the original quote for sending out a payslip, or extra administration costs
- * **Per timesheet:** If a contractor has more than one timesheet a week this can work out to be very expensive
- * **Flat fee:** This is what Payments Pro offers, it is the most cost effective way for a contractor to be paid. As this is the same every week and does not fluctuate and is only chargeable when a contractor works.

Payments Pro only use a fixed weekly fee. We do not have any hidden charges or costs. Our service is fully transparent.

Why Umbrella PAYE?

Ltd vs umbrella PAYE

When you engaged with your agency through your own Ltd Company, the rate you was offered was most likely increased to cover holiday pay and employment costs such as the National Insurance Employers Contribution (NIERS). **The reason for this is because when you are employed directly, it is the hirers legal responsibility to pay them.**

As you (or your accountant) will most likely know, your Ltd company with you as its sole employee, was also responsible for making these payments, the cost of which would depend on how your accountant structured your salary.

If you have been given the option to be engaged directly by your agency, the rate you will be offered will be significantly lower than the enhanced contract Rate that you received when you were paid via your Ltd Company.

When being referred to an Umbrella Company, your agency will provide the same rate that you received when you were paid into your Ltd company to help account for these costs. This rate represents 100% of the Umbrella Company's budget to engage you.

This increase covers:

- * Employers National Insurance (NIERS) - we will deduct and pay Employers NI to HMRC on your behalf
- * Our company margin (fee)
- * Holiday pay – this is included in your weekly net pay instead of being retained

Employment under umbrella PAYE

When you are employed under umbrella PAYE you become our employee and gain the same rights and obligations as a standard PAYE employee.

This also means you are subject to the same HMRC regulations. This includes SSP, auto enrolment and holiday pay which will be included in your rate from the agency. We do not retain this and include it in each payslip.

As a you are employed under PAYE, you will also be subject to the Travel and subsistence expenses

for workers engaged through 'employment intermediaries' as set out by HMRC. Authorised expenses/reimbursements that are agreed by the agency/end client are fine but they will have to be signed off by the end client as well as the agency for us to be able to invoice for them.

In regard to claiming your own expenses as a form as tax relief, this can only be done if you meet the criteria as set out in the legislation e.g. Mileage and subsistence.

As you are an employee of the umbrella company, all of the required HMRC contributions will be made automatically. This includes your tax, NI and NIERS. You will not need to pay an accountant to do this or file a tax return.

The Benefits of Working With Us

What we offer

Should you choose to work through our Umbrella PAYE model, you will stay on the same contract rate and be privilege to these additional benefits:

Dedicated Account Manager

When a contractor joins our service they will automatically be assigned a dedicated account manager that will handle any questions or queries they may have. This includes helping with missing shifts and incorrect pay rates.

Your Payments Pro account manager is here to ensure that your time working as a contractor will be as smooth and hassle-free as possible. They will ensure that you always receive the market leading service that Payments Pro has come to be known for. When you join our service you can rest assured that you are in good hands.

Having a Dedicated Account Manager will mean that you will have more time for the things that matter. Let us liaise with your agency on your behalf and help solve any problems or issues you may have.

We are here to help you and ensure that you get the most out of your time contracting.

Additional benefits

- * Dedicated Account Manager for each contractor
- * FCSA Accredited service
- * Same day payments - Daily, weekly & monthly payroll based on your agency's preference
- * Reward Gateway - Discounts at over 3,000 brands such as Vue, Apple, M&S, Zara and Starbucks. Reward Gateway is the leading employee benefits and discounts provider in the UK
- * Employment history - The longer a contractor is with an umbrella, the longer employment history they generate. This helps with any applications that ask 'how long have you been with your current employer'
- * Fixed processing fee per-week-worked - if you do not work, we do not charge a fee
- * Flexibility in holiday and working structuring
- * Potential for tax relief on certain expenses as per HMRC guidelines
- * 30 Million pounds of insurance cover (including Professional Indemnity Insurance)
- * Auto Enrolment Pension Scheme
- * BUPA cover for contractors and their children

- * Mobile App & responsive online portal - 24hr access to payslips
- * SMS & Email notification when payment is made
- * Simple set up - candidates can be set up within an hour

Our service is designed from the ground-up to provide you with an efficient and reliable service that ensures contractors are paid on time and compliantly and importantly, supported by our industry leading customer service.

We give contractors the peace of mind that they are receiving the best possible take-home as well as supplying them with additional benefits that will enhance their working situation.

Frequently Asked Questions

Who is affected by IR35?

If you work for a company on a regular basis you are legally regarded as an employee of said company even if you are on a flexible or fixed term contract.

This also applies if you are contracted by an agency to work for other companies. The bottom line is that you are now responsible to pay the same tax and contributions as people employed in full time positions.

Self-employed or employed?

When working through Payments Pro Ltd, we technically employ you, and you work as a PAYE employee. This means that you receive all of the employment rights and protection of someone working in full-time employment.

Self -assessment tax return?

All of our employees payments are declared under pay-as-you-earn tax (PAYE); which means all of your tax and NI will have been declared and deducted. This means you will not normally need to file a self-assessment tax return.

What expenses can I claim?

This depends on the policy set by your agency and will set-out in your contract with them. All claimable expenses will be sent to us by your agency for payment to you.

For tax relief for your job expenses (not claimed through your agency) please visit HMRC for clarification

Do I get holiday pay?

Yes, you have the right to 5.6 weeks (28 days) per annum. This is calculated and included in each payslip you receive. This means that it is up to you to manage your money to account for any time you wish take off.

What about public holidays?

Please be aware that public holidays are counted as part of the statutory 5.6 weeks' holiday entitlement as described above under the Working Time Regulations 1998 (as amended).

When do I pay the umbrella fee?

Our umbrella service is 'pay as you go'; we will only deduct our margin when we have processed your pay. This is capped at one fee charged per week for any one week period. This means if you usually get paid on a Wednesday & Friday we will only charge you once. There is no charge for joining or leaving.

Why do agencies use umbrellas?

By using a fully compliant umbrella company like Payments Pro, the overheads, employment risk and administrative responsibilities are minimised for agencies and passed into us, the Umbrella Payroll company.

If you have any further questions that we can help you with please get in touch by sending us an email on info@paymentspro.co.uk

Alternatively you can give us a call on **020 3819 7220**