

Guide to Using an Umbrella Company

This guide is designed to help make your decision on whether to be paid through an umbrella organisation. Most of the information used is taken directly from gov.uk and more detail can be found at:

<https://www.gov.uk/guidance/working-through-an-umbrella-company>

Difference between PAYE on agency payroll and PAYE via an umbrella company

In both cases you are deemed an employee and therefore as a result will be subject to full PAYE and Employee National Insurance deductions.

- ✓ Under **PAYE through an Agency**, you will be employed by the agency under a contract for services and the agency is responsible for deducting PAYE, Employees National insurance, auto enrolment pension contributions and any other deductions we are legally required to make like student loans. You will receive a basic rate of pay plus your holiday pay (a min of 12.07% of your basic rate which is accrued for you to be paid when you take holiday).
- ✓ When you are employed by the agency you are entitled to certain **statutory benefits** such as Statutory Sick Pay (SSP) and Statutory Maternity Pay (SMP) for example.
- ✓ Under **PAYE through an Umbrella** you will be employed by the umbrella company. They will receive the **Assignment Rate** for you from us as the agency and then deduct employment costs which consist of Employer National Insurance, Apprenticeship Levy, Holiday Pay and their umbrella margin (weekly charge to you). That will determine your gross pay rate and from that they will then deduct PAYE, Employee National Insurance and employee pension contributions.
- ✓ As well as access to statutory benefits, when you are employed by an umbrella, you may also be entitled to **additional benefits** so please speak to the umbrella company directly for a full list of benefits they offer their employees. If you conduct ongoing assignments through the umbrella company this will be deemed as **continuous employment** which can be important for things like mortgage applications.

***the pay rate offered for PAYE through an agency will be lower than the Assignment Rate paid via an umbrella but remember this is then subject to the employment deductions explained above. Your actual gross pay rate will be very similar in both scenarios so make sure you check the Key Information Document thoroughly, so you understand the difference**

How an umbrella company works

An umbrella company is a business often used by recruitment agencies to pay temporary workers. In most cases, the umbrella company employs you and pays your wages through PAYE. It does not find temporary work for you, this is done by the recruitment agency (also known as an employment business).

Although the umbrella company is your employer and will pay you, the work you carry out will be for one of the recruitment agency's clients. This work is often on a short-term basis.

The agency must still give you a [Key Information Document](#) which should include:

- the umbrella company for the temporary work from this agency
- the minimum assignment rate paid to the umbrella company
- what the umbrella company will deduct
- your minimum gross pay

The recruitment agency then agrees terms with the umbrella company and sets up a contract with the umbrella company. This outlines that the umbrella company is responsible for:

- employing you and paying your wages in line with the Key Information Document
- invoicing the agency for the time you've worked

For each new temporary role, the recruitment agency must give you new assignment details to confirm:

- who you're working for
- your job title
- what you're going to do
- the notice period to end the assignment
- where you'll work
- any health and safety issues (for example, if you need personal protective equipment)

Your employment rights

As an employee of an umbrella company, you have the [same employment rights as other employees](#).

You have a right to a written employment contract. An [Acas guide to employment contracts](#) explains how they work and what must be written in them.

You have the right to be paid at least the [National Minimum Wage or National Living Wage](#), on time and in full at the agreed intervals as set out in the Key Information Document.

Unless you have opted out, you must be [auto-enrolled on to a workplace pension scheme](#) if you are eligible, and the deductions for this should appear on your payslip.

Holiday entitlement

You are entitled to paid holidays. Check your [holiday entitlement](#) with your employer. Your holiday pay must be deducted from the assignment rate for your job and then paid back to you when you take holiday and claim paid leave.

How you get paid

When you send your timesheet to the recruitment agency, it charges the client. The recruitment agency then pays the umbrella company the agreed rate. This should be the assignment rate multiplied by the time you have worked. The umbrella company is responsible for [paying you as your employer](#). Some umbrella companies may choose to pay the [National Minimum Wage](#) rate for all hours worked and then make up your full rate with an additional payment, like a bonus. You must still pay tax on this additional payment and your payslip must show this and all the hours you've worked.

Understanding how your gross pay is calculated

You have [a right to a payslip](#) that shows your pay. You may also receive a 'reconciliation statement' from the umbrella company which shows you how your gross pay is worked out from the assignment rate.

How an umbrella company works out your gross pay from the assignment rate

The recruitment agency pays the umbrella company the assignment rate, then the umbrella company makes several deductions to work out your gross pay. The reconciliation statement shows the breakdown of deductions. You should normally see the following deductions on the statement:

- Umbrella company operating costs (sometimes called 'margin')
- Employer National Insurance contribution
- Employer [workplace pension](#) contribution
- Holiday pay
- Apprenticeship Levy (if applicable)

The amount after these deductions have been taken off is your gross pay. If you do not understand the deductions, or if you are not given a breakdown of them, you should speak to your umbrella company.

Checking your payslip

Your umbrella company will deduct the following from your gross pay:

- Income Tax
- employee National Insurance contributions
- employee [workplace pension](#) contribution
- student loan repayments (if applicable)
- other deductions that you have agreed to or are legally required to pay

Your pay after these deductions is your take home pay (also known as 'net pay').

The National Insurance and pension contributions taken off your gross pay should always be employee contributions, not employer.

If you think deductions for Income Tax and National Insurance from your gross pay are incorrect, you can [estimate your Income Tax for the current year](#).

You can check [what to look for on your payslips](#) to see what a payslip should look like.

If you are concerned that you are not receiving the correct pay, or that your umbrella organisation are not making the correct deductions it is your responsibility to check so please see the gov.uk advice in the link at the top of the page for ways to protect yourself and what to look for in your umbrella company procedures.

You should discuss your pay and employment rights with your umbrella company first.

If you still have concerns after this you can contact:

- [Acas \(Advisory, Conciliation and Arbitration Service\)](#)
- [Citizens Advice \('Contact us' page\)](#)
- your trade union representative

Acas provide free and impartial advice to employers, employees and their representatives on their rights and obligations.

Preferred Supplier List of Umbrella Organisations

At Wade Macdonald, we always try to ensure we only engage Umbrella Companies that we believe meet their legal and financial obligations, pay their temporary workers promptly and have appropriate insurances in place.

The below are all FCSA accredited members and are currently on our PSL so please feel free to contact any of them to discuss their suitability for you:

Sapphire	www.wearsapphire.co.uk	01625 539997	newbusiness@sapphireorg.co.uk
Parasol	www.parasolgroup.co.uk	0333 009 3900	contracts@parasol.co.uk
Paystream	www.paystream.co.uk	0161 516 5096	newbusiness@paystream.co.uk
Fore Two	www.foretwogroup.co.uk	0808 196 9601	enquiries@foretwogroup.co.uk
Workwell	www.workwellsolutions.com	01923 257257	hello@workwellsolutions.com