



Your Simple Guide to Umbrella Companies

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**CONTRACTING
SCOUT**



— Your Simple Guide to Umbrella Companies



— Like most contractors, you have probably made the decision to move away from permanent employment so that you could enjoy greater freedom and flexibility. A chance to be your own boss, have a greater work life balance and spend more of your time on the projects that motivate and inspire you. But the contractor market can be confusing. You hear so much about umbrella companies from co-workers, employers and even the press, but how much do you really know?

— BENEFITS

For those new to contracting, working through an umbrella company provides an easier transition into contract work. It allows you to be up and running within a matter of hours and without any complicated paperwork. By contrast with a limited company you need to incorporate, register with HMRC and set up a business bank account.

With an umbrella company being relatively straightforward to join, you don't have to commit too much time and effort to try out the contracting lifestyle to see if it's the right move for you.

Using an umbrella company has long been a popular choice with contractors looking to prioritise their day to day client work while reducing their level of paperwork. By having your administration outsourced to your umbrella company, they take care of any dealings with HMRC, sending out invoices and following up with payments.

Many recruitment agencies will request that a contractor has a means of being paid that doesn't involve going through them directly. Using an umbrella company means that the agency doesn't have to worry about legislation issues or incurring the additional cost of employing you.

Another big advantage for umbrella companies over limited companies is that an umbrella company is compliant with (or rather unaffected by) IR35 legislation. As you are employed through your umbrella company, you are liable to tax and National Insurance in the same way as an employed counterpart. This can be particularly useful for contractors who do a lot of work for one client and would therefore find it difficult to prove that they fall outside of IR35.



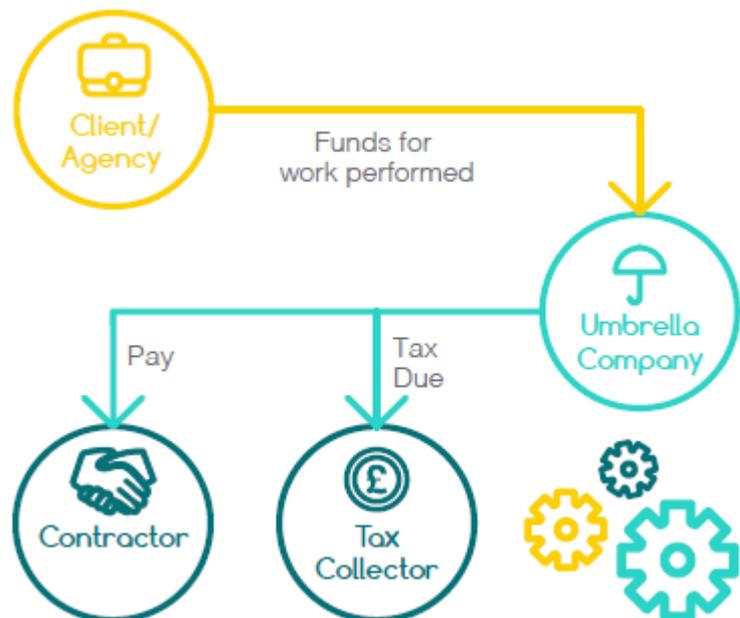
WORKING THROUGH AN UMBRELLA COMPANY IS SIMPLE.. PLUS WITH OUR EXPERIENCED PROVIDERS, YOU KNOW YOU WILL BE GETTING A RELIABLE AND COMPLIANT SERVICE.

HOW IT WORKS

Under an umbrella structure the contractor enters into a contract with the umbrella company and effectively becomes a PAYE employee who provides services to clients on a temporary contract basis.

All you need to do is submit a form to the umbrella company with hours worked and expenses incurred at the end of each week. The umbrella company will then take responsibility for any invoicing, paperwork, payment processing and contract negotiation on the contractor's behalf. They will also ensure all tax and NI deductions are made.

As an employee of the umbrella company you will be issued with a contract of employment and have the right to receive any payments associated with your employment, including statutory holiday pay, sick pay and maternity or paternity pay. The umbrella company will cover you for insurance purposes.



NIC's

As with permanent employment contractors pay their own Employee NIC's through their umbrella company along with PAYE. However, UK law requires National Insurance to be paid by both the employee and employer, so in the case of umbrella companies, who pays the employers NICs?

This is one of the quirks of umbrella companies that should be taken into consideration when calculating your take home pay. The umbrella company (the employer) pays HMRC the Employer's NI in relation to your payments and then claims back that amount from the contractor.

— The umbrella company's only income is the fee they charge, so although you may question why Employers NI is on your payslips, this is only a contribution that is passed on directly to HMRC as a legal requirement. As a result you should factor this in when negotiating your rates.

— CHOOSING AN UMBRELLA COMPANY



Umbrella company charges should all be around a similar price point so the best way to evaluate providers is by their service. Their level of assistance, admin responsibilities and back room support should be your primary focus and that is what sets one apart from the rest.

Contracting Scout only work with umbrella companies who offer affordable and competitive prices. We also assess each provider to determine their level of customer service and we will only recommend a provider if they can deliver accurate and timely payments.

There are lots of umbrella companies in the market, but going through a trusted advisory company like Contracting Scout can save you considerable time. We can whittle out the overpriced and unhelpful providers to ensure you get the highest standard of service at the best possible price.