



workwell

Contractor Guide: Successful Umbrella Contracting

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**Umbrella
Accredited
Member**

Introduction

Interested in becoming an Umbrella contractor? That's great - Umbrella is a simple and easy way to work.

We understand that if you've never heard of Umbrella contracting before, this way of working may seem confusing. So, before you begin, you may want to learn a bit more about what's involved.

In this guide, we'll outline everything you need to know, from "what is an Umbrella company?" to how your pay is calculated.

Let's get started!



What is an Umbrella company?

An Umbrella company employs you and enables you to enjoy the flexibility of contracting, without the hassle.

Working as an Umbrella employee is a straight-forward and simple way to enjoy contracting.

It involves becoming an employee of an Umbrella company which then supplies your services as its employee to other companies (the employment agencies or end hirers).

You can operate one contract at a time or switch seamlessly between multiple contracts whilst building a record of continuous employment. This can be invaluable when seeking a mortgage or other types of loan.

There are a number of other employment benefits that you're entitled to as an Umbrella employee, including holiday pay, statutory payments for maternity/paternity/adoption, and sick leave, as well as access to a company pension scheme, and a wide range of insurance covers as standard.

As an Umbrella contractor you will pay Income Tax and make National Insurance contributions on all your income at source, just like any employee would.

This could mean that you'll receive slightly less take-home pay than if you were a limited company contractor operating outside IR35.

However, you'll receive all of the usual benefits of employment, some of which you might not have through your own business, plus a great employee benefits scheme and none of the admin involved with running your own business.

Benefits of Umbrella employment



Simple set up

It's really easy to get set up as an Umbrella employee. You can register with us and start working straight away. The whole process takes only a few minutes.



Correct tax

We will work out your Income Tax and National Insurance so you don't need to worry if you've made the correct payments. These will be deducted directly from your pay.



Employee rights

As an Umbrella employee, you're entitled to full employment rights whilst retaining the flexibility to switch between contracts, giving you peace of mind.



Holiday pay

Umbrella employees are able to accrue holiday pay. You can also take paid maternity/paternity and adoption leave.



Pension scheme

You can save for your future by joining our employment pension scheme or continuing to pay into your private pension or SIPP. Plus, we can provide you with personal accident insurance if required.



Long-term employment

Umbrella employees are able to build a continuous record of employment which is helpful when applying for mortgages and other types of loan.



Insurance cover

Wide range of insurances provided as standard, including public liability, employers' liability, and professional indemnity.



IR35

Working through an Umbrella company can make you more appealing to agencies and end hirers, whilst allowing you to continue contracting 'inside' IR35.

Why Umbrella?

Working as a contractor can be highly rewarding. You'll have greater freedom over when, where, and how you work, as well as the ability to decide which roles you undertake.

With Workwell's FCSA-accredited Umbrella solution, you'll have peace of mind that your compliance and admin duties are taken care of.

Plus, we'll ensure you're paid on time, every time - so you can enjoy the flexibility of contracting without the hassle.

Affected by IR35?

If you're affected by IR35 and looking for a compliant Umbrella solution, our specialist accountants at Workwell can provide you with advice on IR35, Umbrella, and any of your contracting concerns.

You can also switch seamlessly between Umbrella and PSC if you wish to take on a mixture of 'inside' and 'outside' assignments with the help of our IR35 Switch solution.

To find out more about IR35 Switch, please get in touch on 01923 257257.

Your options

We understand that choosing the correct working option can be complicated. You have a range of options to consider before making a decision, such as Agency PAYE or operating through your own limited company. Here we show you how the options compare.

	Security of payment	Continuous employment	Income	Rights and benefits
Workwell Umbrella	When working through an Umbrella company, you are protected from non-payment. We are your employer and responsible for ensuring you get paid -no matter what.	As an Umbrella employee with Workwell, you can seamlessly switch between contracts. This provides you with one continuous tax code, saving you admin when switching assignments and allowing you to build a record of continuous employment.	When working through an Umbrella company, you are an employee. This means National Insurance and Income Tax will be deducted at source and paid directly to HMRC .	As an employee of Workwell, you are entitled to full UK employment rights and benefits, including sick pay, maternity / paternity / adoption leave and pay, together with several other employee benefits and discounts.
Agency PAYE	You might not be entitled to the same degree of protection depending on how you are engaged. So, if the end client refuses to make a payment, you might lose out on pay.	If you choose PAYE with the agency, you will have to switch to another agency's payroll if you take on another contract offered by a different agency, meaning there may be gaps in your employment record and more admin responsibilities.	Not all agencies operate their own payroll. But, if they do, you will likely be classed either as an employee or a worker of the agency. This means National Insurance and Income Tax will be deducted at source and paid directly to HMRC.	If the agency does offer its own PAYE option, your rights and benefits will depend on how you are engaged. Employees receive more rights than Workers, so it's important to check your employment status.
Limited company	You are not protected from non-payment because you are your own employer. You may need to invest in various forms of insurance to guarantee you are protected if your end client decides not to pay or is unsatisfied with your services.	Your employment record will depend on how you are engaged through your company. As with Umbrella, it will always be the same company that engages directly with you.	When working through your own company, assuming you are working outside IR35, you can pay yourself through a combination of salary and dividends (assuming your company has sufficient profits) , meaning you can maximise your take-home pay. You will, however, have to submit a self-assessment tax return at the end of the year.	If you provide services through your own company, then the only rights and benefits you'll receive are those which you / your company arrange.

How Umbrella pay is calculated

When working through an Umbrella company, there are certain payment terms and deductions you should be aware of:

Assignment fee

This is the rate you see in the advert for a role. It's the fee paid by the employment agency to the Umbrella company for supplying its employee (i.e. you).

Umbrella margin

All Umbrella companies will take a margin from the assignment fee they receive from the agency.

Employment costs

These are the costs your employer would need to account for, such as Employers' National Insurance, on the salary that it pays you.

Gross rate of pay

As an employee of our Umbrella, your Gross Rate of Pay will typically be the assignment fee less the Umbrella margin and employment costs.

Income tax

Your salary is subject to Income Tax. There are different tax bands – basic rate, higher rate, and additional rate – applied according to how much you earn.


Employee National Insurance

As you are an employee of the Umbrella company, you have to pay National Insurance.

With Workwell Umbrella, we ensure your take-home pay and tax deductions are calculated and paid correctly for every payslip and assignment. You can even keep an eye on this via our online portal, and our team will advise you on any tax elements you don't understand. This will give you peace of mind, knowing you're compliant with HMRC.

How Umbrella pay is calculated

Each time you're paid by Workwell, you will receive a three-part statement explaining how we've calculated the funds we're sending.



Formerly JSA Group

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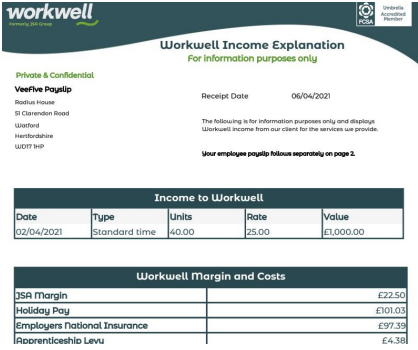
Your payslip explained

Each time you are paid by Workwell, you will receive two documents.

The first is a reconciliation which explains what we have billed the agency for our services (providing our employees), together with any deductions we make.

The second document is your payslip which sets out your salary, together with any deductions we make from your pay.

Document One



Workwell Income Explanation
For information purposes only

Private & Confidential

VeeFive Payslip
Racine House
81 Clarendon Road
Waltham
Hertfordshire
WD17 7HP

Receipt Date: 06/04/2021

The following is for information purposes only and displays Workwell income from our client for the services we provide.

Your employee payslip figures separately on page 2.

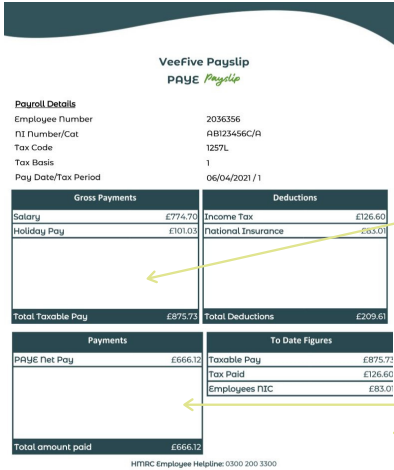
Income to Workwell			
Date	Type	Units	Value
02/04/2021	Standard time	40.00	25.00
			£1,000.00

Workwell Margin and Costs	
JSA Margin	£22.50
Holiday Pay	£101.03
Employers National Insurance	£97.39
Apprenticeship Levy	£4.38

In this first section, we show the income paid to Workwell by the agency. This is Workwell's fee for supplying our employee for the period noted in this section.

In the "Workwell's Margin and Costs" section, we set out all the deductions we make from the fee we charge to the agency. These include our profit margin and any costs we incur on the salary we pay to you, such as Employers' National Insurance (which is payable to HMRC).

Document Two



VeeFive Payslip
PAYE Payslip

Payroll Details
Employee Number: 2036356
NI Number/Cat: A8123456C/A
Tax Code: 1257L
Tax Basis: 1
Pay Date/Tax Period: 06/04/2021 / 1

Gross Payments		Deductions	
Salary	£774.70	Income Tax	£126.60
Holiday Pay	£101.03	National Insurance	£83.01
Total Taxable Pay	£875.73	Total Deductions	£209.61

Payments		To Date Figures	
PAYE Net Pay	£666.12	Taxable Pay	£875.73
		Tax Paid	£126.60
		Employees NIC	£83.01
Total amount paid	£666.12		

HMRC Employee Helpline: 0300 200 3300

In this first section, we display your personal and tax details, including your tax code, employee reference, NI number, and payroll period details.

Your 'Gross Payments' are any payments we are making to you which are subject to Tax and National Insurance.

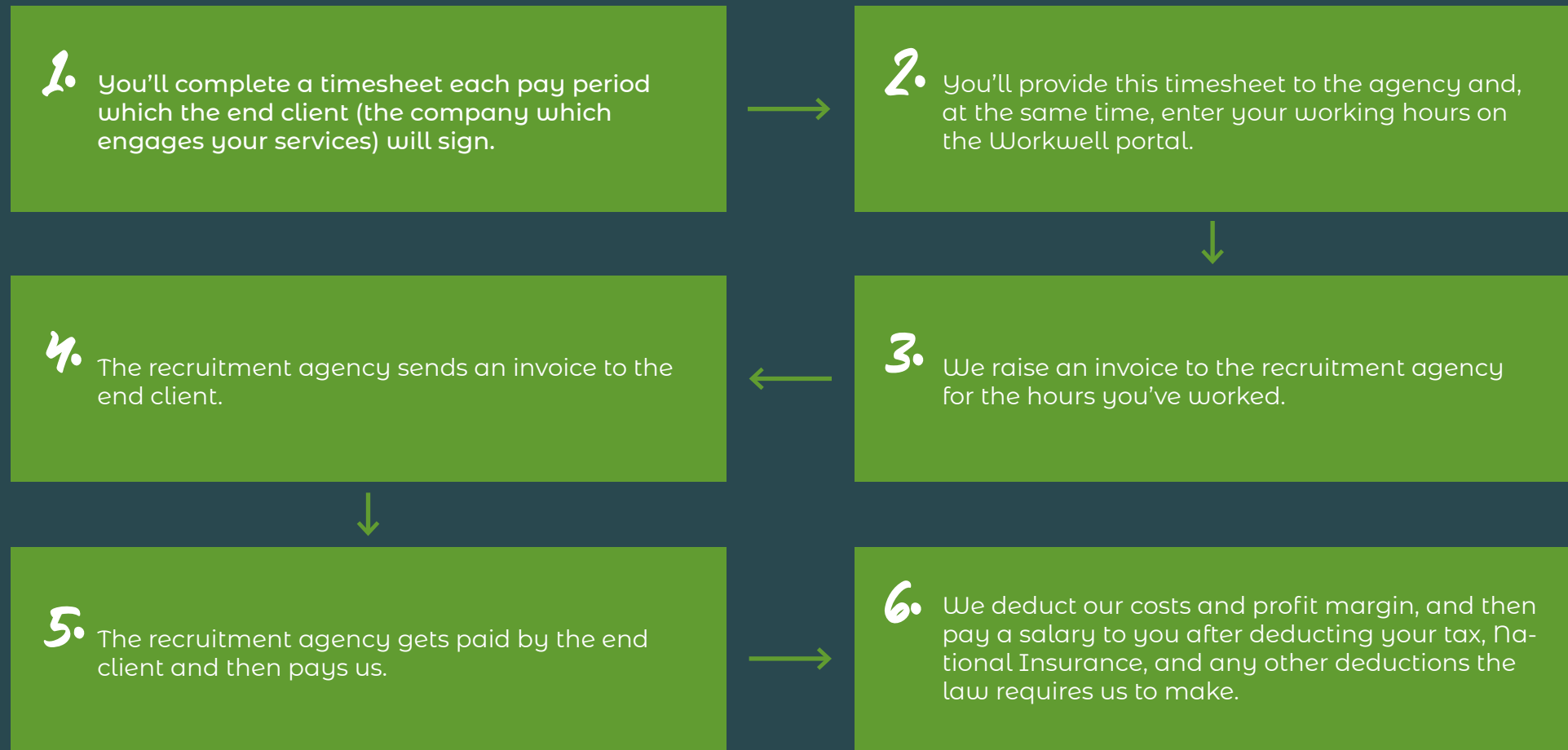
The 'Deductions' section will set out any deductions we're making from the Gross Payments. This includes your Tax, National Insurance, and any other deductions we're legally required to make.

The 'Payments' section will show all of the net payments we're making to you, after taxes have been accounted for.

Finally, we display your current tax year to date figures.

How an Umbrella company works

This diagram shows you how your payment is processed:



Choosing a compliant Umbrella

All Umbrella companies must adhere to HMRC's rules on tax. However, many Umbrella companies are popping up with too-good-to-be-true offers for contractors, promising reduced tax rates and 80%+ take-home pay. Unfortunately, contractors are lured in by these tax avoidance schemes disguised as 'tax-efficient' offers.

An Umbrella company must provide you with a clear and detailed illustration of how your pay is calculated and the profit margin that they will retain. Requesting a clear illustration is a great way to identify how the Umbrella company arrives at your suggested take-home pay, and if they are acting compliantly.

Occasionally, a company will ask contractors to sign up to an 'arrangement' of this kind. However, most companies' schemes won't be this obvious, so it's important you do your research and choose a compliant Umbrella employer.

According to HMRC, if one party in the supply chain is not compliant, it's the other parties' responsibility to do their due diligence, otherwise, they too could be found liable under the Criminal Finances Act. This means that as an Umbrella employee, you could be held liable for working under an Umbrella company who is participating in tax avoidance - even if you are unaware of the scheme.

With Workwell Umbrella, you can have complete peace of mind that everything is done as it should be. Our Umbrella employment is FCSA-accredited and we'll always provide comprehensive and detailed reconciliations for complete transparency around how your payment moves through the supply chain.

Signs of non-compliant Umbrella companies

There are a number of signs to look out for which would indicate that a company is not operating compliantly:

- ✗ Look into their jargon. Non-compliant companies operating tax avoidance schemes will often dress up their services with phrases about 'legal opinions' and 'tax efficiency' instead of an emphasis on compliance.
- ✗ If only a portion of your salary on your payslip is paid through payroll and the rest comes through as 'loan', 'credit', or 'investment' - this is a sign of tax avoidance.
- ✗ If the company promises you 80, 90, or 95% of your wage, they're most likely operating under a scheme. Usually, the basic rate of Income Tax is 20% plus National Insurance contributions. So 80% take-home pay is almost impossible.

Workwell Umbrella

We support thousands of contractors to work compliantly through our FCSA-accredited Umbrella company.

✓ Simple set-up - register and begin working within minutes.

✓ Peace of mind knowing your tax, NI, and other deductions are properly taken care of.

✓ Full employment rights including access to our pension scheme, holiday pay, sick pay, and maternity/paternity leave.

✓ Save £££ with our exclusive employee rewards scheme.

✓ Build a record of continuous employment while enjoying flexible working. This will help you when applying for mortgages and other loans.

✓ Additional employee benefits available to all, including our market-leading 24/7 personal accident insurance.

✓ Secure online portal for timesheet submission, payslips, and easy communication.

✓ Text message to let you know when you've been paid.

✓ We are open from 8am to 6pm Monday to Friday and 9am to 12pm on Saturdays for advice and support.

✓ A wide range of insurances provided as standard, including public liability, employers' liability, and professional indemnity.

Workwell Rewards

We've developed an incredible rewards programme with a range of specially selected partners to meet all your day-to-day needs.



High-street *discounts*

You'll find hundreds of money-saving offers from all your favourite stores with our high-street discounts. Plus, you can collect points every time you shop, giving even bigger discounts!



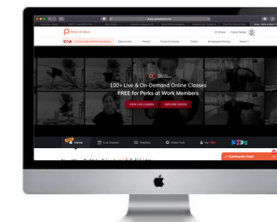
Holiday & leisure *savings*

With Workwell Rewards, you'll have access to a wide range of leisure and travel discounts so you can save money doing the things you love.



Health & *fitness*

To take care of you, access a wide range of online classes to help with managing stress, getting active, and working from home. Over 100 courses to choose.



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