

## FAQs for Agencies

Working in recruitment within the temporary contract market, we're sure that you will be aware of how useful Umbrella Companies can be. However, we regularly get asked questions from recruitment agencies about how it all works. So with this in mind, we have put together a fact-sheet providing you with answers to the most frequently asked questions.

If you have any other questions, then please contact us on 01206 761 326.

### NOT ALL CONTRACTORS ARE ELIGIBLE TO CLAIM TRAVEL & SUBSISTENCE EXPENSES.

**Can a worker automatically claim expenses for travel and food if they work with an umbrella company?**

No. If the answer to any of the questions listed below is "Yes", the worker will have no entitlement to tax relief on costs for travel and meals:

- The umbrella company does not operate an over-arching contract of employment.
- The worker knows that they will spend more than 2 years at the same location or that they will spend more than 40% of their time at the same location over a rolling 2 year period.
- They know that they will only work on one assignment whilst they are employed by the umbrella company.

[http://www.contractorumbrella.com/claiming\\_expenses.html](http://www.contractorumbrella.com/claiming_expenses.html)

### WHY CONTRACTORS ON MINIMUM WAGE CANNOT WORK THROUGH AN UMBRELLA COMPANY.

**Can a worker use an umbrella company if their rate is minimum wage?**

**No.** An umbrella company is the same as any other employer in that they have a legal obligation to pay Employer's National Insurance Contributions to HMRC. These are deducted from the contract value as is their margin; what's left forms the worker's salary:

Minimum Wage at £6.31 per hour at 37.5 hours .....	£236.62
Employer's NIC's at 13.8% over £153.00 per week .....	£11.53
Umbrella company margin .....	£27.50
Workers Salary .....	£197.59
Salary per hour (now less than the minimum wage of £6.31).....	£5.26

### IR35 DOES NOT APPLY IF YOUR CONTRACTOR IS WORKING VIA AN UMBRELLA.

IR35 does not apply to workers who are employed by an umbrella company. IR35 applies only to PSC's (Personal Service Companies) otherwise known as single person Limited companies. If a worker is 'outside' IR35, they are entitled to draw dividends from the company which don't attract National Insurance Contributions; if they are 'inside' they must take their salary through PAYE.

### ROLLED UP HOLIDAY PAY IS CLASSIFIED AS UNLAWFUL.

[http://www.osborneclark.com/media/filer\\_public/9f/e5/9fe56017-67d0-4e4c-919c-d65f1ecec-b36c/employment-update-rolled-up-holiday-pay-april.pdf](http://www.osborneclark.com/media/filer_public/9f/e5/9fe56017-67d0-4e4c-919c-d65f1ecec-b36c/employment-update-rolled-up-holiday-pay-april.pdf)

As an employer umbrella companies have a statutory obligation to pay holiday pay which should be shown as a separate element on the payslip when the worker is actually on holiday; it cannot be 'rolled up' i.e. assumed that an element of their salary represents holiday pay.

### RECOMMEND AN OFFSHORE UMBRELLA COMPANY AND THE PAYE BURDEN BECOMES YOURS!

Compliance has always been a primary consideration for recruiters when working with umbrella companies but with recent changes to legislation, it has become more important and, in many ways, more onerous. In a surprising move HMRC have significantly increased recruiters' workload, passing the burden of responsibility for PAYE payments to any agency placing a candidate who has chosen to work with an offshore umbrella company.

There may be several recruitment agencies in the chain, due to clients operating preferred supplier lists, but the onus to ensure tax compliance will still fall on the agency that is contracted with the client.

FIND OUT MORE ABOUT RECENT LEGISLATION CHANGES AT:  
[http://www.contractorumbrella.com/news/839-onshore-offshore\\_legislation\\_guide.html](http://www.contractorumbrella.com/news/839-onshore-offshore_legislation_guide.html)

Talk to us about how these changes may affect your business.

**01206 761 326**

