



# FIRST TIMER'S GUIDE





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## Hello from ContractorUmbrella

At Contractor Umbrella, we believe that your umbrella company should do more for you than just process your payments. We aim to make your life as a contractor as hassle-free as possible, answering any queries you may have, dealing with your paperwork as well as liaising with your agency or client.

We are so confident in our level of service that we have a Commitment Charter that sets out what you can expect from us which is backed by our money back guarantee, for total peace of mind. As an employee of Contractor Umbrella you will have your own dedicated Contract Manager who is fully trained on all areas that you may have questions on and will work with you to ensure that your employment is hassle-free.

The world of umbrella companies is forever changing with increasing levels of legislation and compliance surrounding the industry, that's why we take legal advice from top UK legal employment specialists Blake Morgan, and top UK tax specialists, Kingston Smith. That way, by using Contractor Umbrella, you can be confident that we keep you on the right side of the law.

As a client of Contractor Umbrella, you also have the flexibility to work via our sister company, Dolan Accountancy who are dedicated contractor accountants. This means should your IR35 status change there is no need to start looking for a limited company accountant and you will continue to receive the same high level of service and expertise that you have with Contractor Umbrella. There is no fee for this transfer and you can return to umbrella as and when your employment status changes.

We hope you find this guide useful and easy to understand, however if you do ever have any queries, please visit our website or give us a call to find out more about Contractor Umbrella and how we can help make your life as a contractor as easy as possible.

You can find out more via:

[www.contractorumbrella.com](http://www.contractorumbrella.com)

Alternatively you can speak to one of our friendly experts on **01206 591 000** or via email at:

[info@contractorumbrella.com](mailto:info@contractorumbrella.com)

Kind regards,



Lauren Monks

Group Operations Director



## Starting out

Working as a contractor, can for many individuals provide a more flexible way of working in comparison to those who are permanently employed. However, it also means that you have to think carefully about how you are going to be paid, there are three options you will need to consider;

1. You operate as an employee of an umbrella company receiving payment via PAYE with all your taxes being taken care of at source by the umbrella company.
2. You operate via your own limited company, dependent on your IR35 status which we explain later in this guide, and are paid either via PAYE or by drawing dividends from the company (more information on this can be found via our sister company's website at [www.dolanaccountancy.com](http://www.dolanaccountancy.com)).
3. You operate as a sole trader declaring your income and arranging your taxes directly with HMRC via self-assessment. However, it is worth noting that if you gain your work via a recruitment agency then this may not be possible under the False Self Employment legislation.

### Let's take a moment to explain what an umbrella company is and how we can help you?

In simple terms a "true" umbrella company provides contractors with a mechanism to get paid a salary for the work they undertake with no worries about having to sort out their own taxes. If you choose to go down this route, you will become an employee of the umbrella company and will be engaged under a contract of employment.

Whilst umbrella company employees may work on a number of temporary assignments for a range of different clients, their employment relationship with the umbrella company is continuous. Both parties are bound by the terms of the contract for its duration with notice required from either party to terminate the arrangement.

With this contractual arrangement in place, the umbrella company will meet all Statutory Employer obligations and will deduct PAYE taxes from its employees. Employer's National Insurance will be paid to HMRC with the PAYE deductions from employees and reported to HMRC via RTI. Contractor Umbrella will retain nothing from the contract value for its own gain, other than a stated margin for processing each payment.



## Why use Contractor Umbrella?

Contractor Umbrella has a fantastic reputation as being the hassle-free, straight talking umbrella company. We are also one of the longest standing and most respected umbrella companies in the UK and are pleased to have been independently voted on numerous occasions as the best umbrella company by the readers of Contractor UK.

We also guarantee our employees complete peace of mind, absolute compliance and unrivalled customer service.

A few of the benefits of working through Contractor Umbrella;

- **Fast and easy registration** - be ready to work in 24 hours, [simply register online](#) and we'll take care of the rest.
- **Calculate your take home pay** - use our [online calculator](#) to find out how much you could be taking home through Contractor Umbrella.
- **Same day payments** - same day payments as standard providing funds are received into our account by 12pm, for no additional fee.
- **Our Commitment Charter** - [is our guarantee](#) that you will be looked after at every step of the way.
- **Employee Benefits** - at Contractor Umbrella there are many benefits available to you as our employee including our [Employee Rewards Scheme](#), Group Pension Scheme, Foreign Currency Exchange, Contractor Accommodation, Contractor Mortgages and much more.
- **Flexible Limited Company accountancy** - when you sign up to our sister company Dolan Accountancy, you can transfer to Contractor Umbrella when umbrella employment better suits or your assignment sits inside IR35.

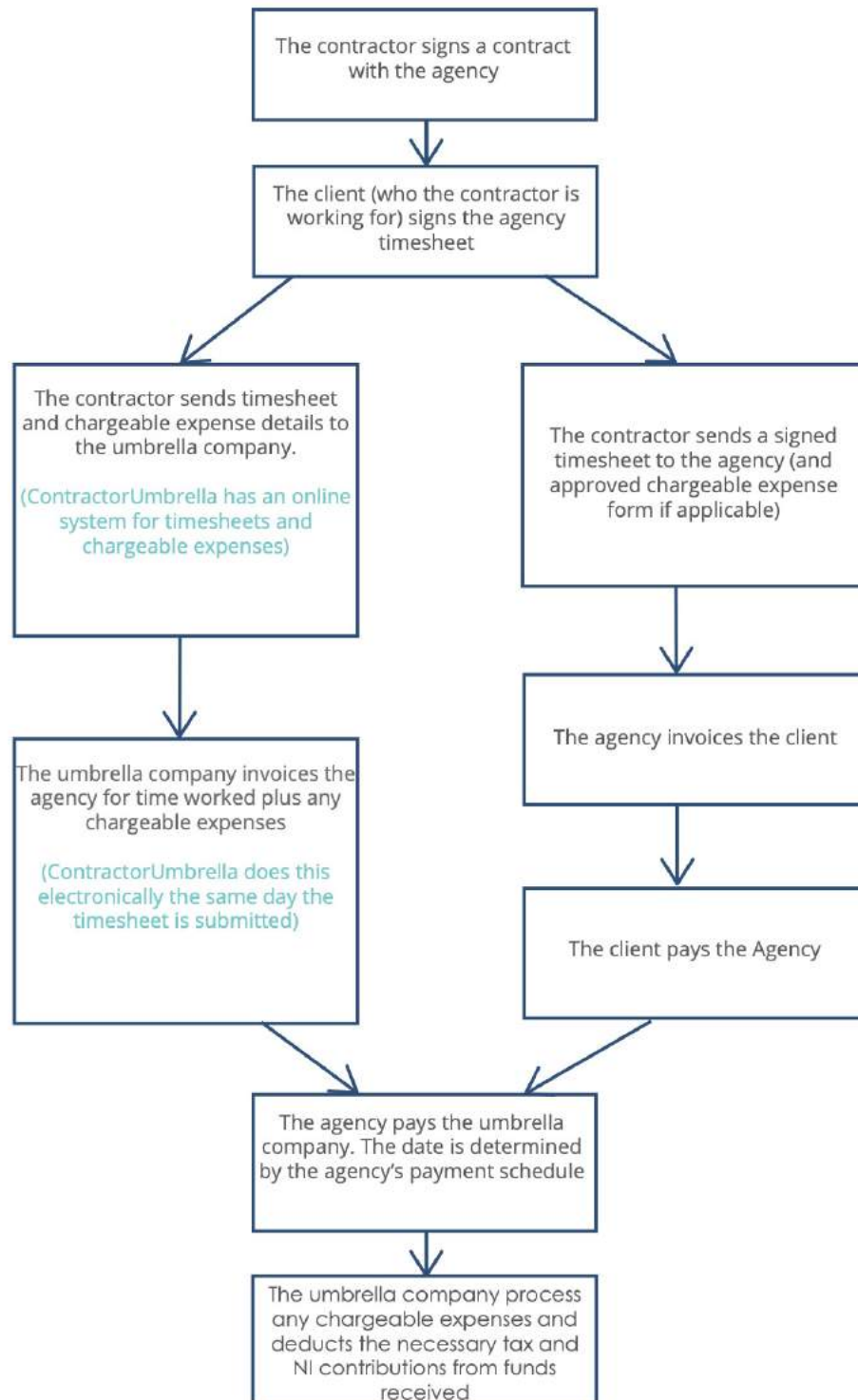




## So how does the contractual arrangement work?

Working through an umbrella company can appear confusing but it is quite simple...

Below is a flow chart, which explains the steps that take place between an umbrella company, recruitment agency and end client in order for you to get paid each week or month. Please bear in mind that for you to receive a regular income from your umbrella company, the steps below will need to be completed according to the Agency's timesheet and invoicing schedule:



## How and when do I get paid?

Your agency or end client will normally set the invoicing frequency requesting that the umbrella company issues invoices relating to either weekly or monthly periods.

It will then be your responsibility to submit weekly or monthly timesheets to us, at Contractor Umbrella this is done via our simple to use, online portal. Once you submit your timesheet, we will then arrange for the invoice to be checked and issued directly to your agency or end client. Here at Contractor Umbrella, we ensure that all invoices are processed in an efficient manner, so for our employees, if you raise a timesheet before 3pm on any working day, then we will raise and issue the invoice the same day to your billing company. If you raise it after 3pm, then it will be issued the next working morning.

Same day payments as standard providing funds are received into our account by 12pm, for no additional fee. We pay via Faster Payment as standard, so funds will normally clear into your account by 5pm that evening, with your payslip being issued at that point to confirm the net payment which will arrive in your bank account. If the funds clear into our account later in the day, then you will be added to the following working day's payroll.

Your dedicated Contract Manager will also take care of the credit control for you, so if we recognise that an invoice is overdue, we will press the agency or end client for an update on when we will receive the funds and keep you up to date every step of the way.



### What if I don't have an agency involved?

That's not a problem at all. We have a number of employees who are direct with end clients, with no recruitment agency involved. It simply removes another contractual arrangement in the chain, we will engage directly with the end client under a B2B contract and continue to employ you under a contract of employment.

### How do I register and what documents do I need?

If you choose to work through Contractor Umbrella, the registration process is very simple... you can either call on 01206 591 000 and we will take you through the sign up process over the phone or alternatively you can do so online at <https://www.contractorumbrella.com/register.html>.

Once you have registered, the team will issue you with a welcome pack and your contract of employment, we will also touch base with the Agency / End Client to ensure that the business-to-business arrangement is in place and ready for you to start on your assignment.

In order to complete the set-up process, the team will need to see a clear copy of your passport or right to work documentation. This will complete the legal requirements to register you as an employee of Contractor Umbrella.

Please note every employee of Contractor Umbrella Ltd must be entitled to live and work in the UK and be over 16 years of age.

Under UK immigration laws, we are unable to process any payments to any employee until we have received this proof of identity. We will also require a P45 for the current financial year from your last/current employer or accountant so that we can confirm your tax code with HMRC. Don't worry if you don't have one we will simply ask you to complete a starter checklist form, which can be downloaded from <https://www.hmrc.gov.uk/forms/starterchecklist.pdf>, using this information we can then obtain a valid tax code.

## How do you calculate my take home pay?

In terms of calculating your take home, we take your contract rate (the daily or hourly rate you are given by the agency) deduct the Employers National Insurance and make an allocation for the Apprenticeship Levy and finally our margin. What remains is your taxable salary which is then subject to Employee's National Insurance and PAYE tax.

If you wish to run a Take Home Pay calculation, then please feel free to do so online at [https:// www.contractorumbrella.com/calculator.html](https://www.contractorumbrella.com/calculator.html). It is worth noting that if you run any calculations with any other "compliant" umbrella company then the only difference you should see is the margin the umbrella company is charging.

## My umbrella payslip

You will be emailed a payslip on the same day your payment is processed and your homepage on our online portal will be updated to indicate which invoice(s) have been paid. However, we realise that the payslips can be a little confusing, let us look at the breakdown shown on the slip:

Umbrella Illustration Income Statement for dummy test						
Company Income received		Assignment Rate(s)				
		Units	Rate	Total	Agency/Description	Description
Company Income and Costs	2,336.90					
Apprenticeship Levy	9.95					
Employer's NI	250.55	5.00	457.38	2,336.90		Invoice
Employer's Pension	25.41					
Company Margin	18.00					

PAYSリップ						
Employee Name	Employee Number	NI Number	Tax Code	Pay Date	Periods	
dummy test	ILLUSTRATION	ILLUSTRATION	1257L X	22/01/2024	1	

Payments				Deductions	
Description	Units	Rate(E)	Amount(E)	Description	Amount(E)
Basic Rate	57.92	10.42	390.75	PAYE(Income tax)	554.20
Holiday Pay	1.00	252.66	252.66	Employee's NIC	92.97
Additional Taxable Wage	1.00	1,389.57	1,389.57		
Pension (Salary Sacrifice)	1.00	(42.35)	(42.35)		
<b>Total Payments</b>			<b>1,990.63</b>	<b>Total Deductions</b>	<b>647.17</b>

Umbrella Illustration		This Period		Year to Date	
PAYE Reference	XXXXXX	Total Taxable Pay	1,990.63	Total Taxable Pay	1,990.63
Tax Period	42	Earnings for NICs	1,990.63	Total Net Pay	1,990.63
Period Ending		Expenses	0.00	PAYE Income Tax	554.20
Pay Frequency	Weekly	Net Payment	1,343.46	National Insurance	92.97
				<b>Total Payment (E)</b>	<b>1,343.46</b>



### Gross payment

The amount shown as Gross Payment on your payslip is based upon the minimum wage/living wage portion of your earnings, allowing for the statutory deduction of pension contributions.

### Rechargeable expenses

Rechargeable expenses are any costs that your agency or client has agreed to reimburse to you in full. Re-chargeable expenses will be invoiced through Contractor Umbrella Ltd and will require an expense form, signed by the client, to support the claim.

### Bonus

From the contract value, we deduct the gross payment as described above, and salary sacrifice pension amounts, the balance is then subject to Employers National Insurance and Employers Pension. Once that deduction has been made the residual amount is treated as a taxable bonus payment.

### Holiday pay

As an employee of Contractor Umbrella Ltd you are entitled to 5.6 weeks holiday in each holiday year (per annum pro rata) and, under the Working Time Regulations, holiday pay must be shown as a separate entry on your payslip when you take annual leave rather than included within your pay rate. By default, we will make a holiday allowance at 12.07% of your taxable salary from your contract rate, for full-year workers, and repay this every time we make a payment to you. This means that you need to be aware that there will be no retained holiday pay available when you do take holiday.

Alternatively, if you would like us to retain a holiday allowance then you must let us know and we will arrange for a holiday pot to be set up for you. On your payslips, in the Notes box, you will see any holiday you have accrued and reclaim it as and when you require. This can be done at the amount you wish based on the monies available in the "holiday pot". The holiday pay will be taxed at the point of payment, not accrual.

Please be assured that although holiday pay is deducted it remains your money.

Any unused holiday pay will be refunded to you either when you leave or before the end of the financial year, whichever comes first.



### PAYE tax and tax codes

The PAYE Tax shown on your payslip indicates the income tax we are required to deduct from you and pay direct to the government. The amount deducted is based on the tax code operated which will have either been advised to us by the tax office, or, if you are a new contractor, via your P45 or HMRC Starter Checklist form.

### Employee national insurance

Legislation requires all employees to pay a national insurance contribution based on their earnings (unless they are exempt by virtue of being over retirement age and have provided us with the required evidence). This is shown on your payslip as EEs National Insurance.

### Employer national insurance

All UK employers, including umbrella companies, are required to make payments each month to HMRC for Employers' National Insurance Contributions. Currently this contribution is taken as a percentage of 13.80% (for the 23-24 tax year) of earnings over £175 per week. These contributions are recovered from the funds received from the recruitment agency/client with whom the umbrella company will have a business-to-business contract, this is still deemed to be the umbrella company's funds until the taxable salary is reached.

### Employment taxes

As of April 2017, we are also required to make payment for the Apprenticeship Levy to HMRC. The Levy is taken from the monies received by the agency or end client and is calculated at 0.5% of earnings subject to Class 1 Secondary NICs.

### Minimum wage

Employment Law requires employees receive a minimum amount of pay for each hour worked. We base our minimum wage rates upon the National Living/Minimum Wage (£10.42 per hour for 23 year olds and over in the 23-24 tax year). If you submit a timesheet to us showing hours you have worked but we do not receive a payment from your agency, then we will make a Minimum Wage payment to you.

### Student loan

If you let us know that you have a student loan, normally indicated on the P45, then this amount is deducted and forwarded by us to the government for credit to your Student Loan account.

### Pension

As an employee of Contractor Umbrella, you have access to our Employer Pension Scheme, which is operated by Scottish Widows. The scheme is designed to provide you with a low cost, flexible plan to reflect and adapt to the terms of the contracts you accept and ensure that you can continue to fund for your retirement whilst maximising your tax benefits. Details can be found on the Contractor Umbrella website under Employee Benefits. If you are in the pension scheme, the amount shown on your payslip will be paid over to the scheme for you. Many contractors want flexibility with their pensions and don't like having to pay into so many! So, if you would prefer us to pay into your own personal pension fund, we will be able to accommodate this for just £5 margin increase.

### Net pay

This is the amount that will be paid into your bank account.

### Contractor Umbrella margin

The Contractor Umbrella margin is the small profit we retain from the invoices we raise on your behalf for the work we undertake, this is a fixed amount for each week/month.

## FAQ's

### Can I claim expenses via my umbrella company?

First of all let us explain that there are two types of expenses that are spoken about in relation to umbrella company employees – rechargeable and non-rechargeable.

Rechargeable expenses are any costs that your agency or client has agreed to reimburse to you. Chargeable expenses will usually be invoiced through Contractor Umbrella Ltd and may well require an expense form, signed by the client, to support the claim.

Non-rechargeable expenses are the costs that you have incurred as a direct result of your assignment work. Before April 2016, umbrella companies were able to process these expenses via salary sacrifice and the employee would gain a tax benefit on the expenses incurred. However, legislation changes (under the T&S legislation) now restrict contractors claiming Travel & Subsistence expenses unless they can prove that they are not under the Supervision, Direction and Control (SDC) (or the right thereof) of the end client. Our recommendation is that if you believe you are not under the SDC, then you must speak directly to HMRC and ask them to assess your individual situation. If they confirm that you are not under SDC, then you would be able to claim the tax relief via self-assessment at the end of the financial year. It is also our interpretation that if you are deemed inside IR35 due to the Public Sector rule changes, then we believe that the legislation is highly likely to deem that you are under SDC, and as such no expenses will be allowable at all.

### Can I pay into a pension?

As your employer an umbrella company has a legal obligation under the Pensions Auto Enrolment Legislation to enroll you into their pension scheme. Contractor Umbrella offer a Group Pension Scheme operated by Scottish Widows.

We defer all of our employees until the third month, at which point you would be Auto Enrolled into the Scheme. At this point you will have the option to either contribute to the scheme via salary sacrifice or if you choose to, you may opt out of the scheme. Under current regulation, we are required to take the first payment, if you then choose to opt out we will provide you with all the necessary forms to complete and the initial contribution will be refunded back to you.

An added benefit of this scheme is that Scottish Widows have no exit fees, so once you come to the end of an assignment, you are able to transfer the pension across to any existing personal pensions you may have at no extra cost.

More and more contractors are opting to make payments into pension schemes as this is made via salary sacrifice giving you both Tax and NI savings. If you would like to know more about our scheme, please take a look at: <https://www.contractorumbrella.com/pension.html> and <https://www.contractorumbrella.com/grouppensionplan.html>.



## Am I covered by insurances?

Your agency or end client will expect to see copies of your insurance cover for any assignment you undertake. If employed by Contractor Umbrella Ltd then, as standard, included within our weekly or monthly margin, is a comprehensive £20m insurance package, giving you a cover of £10m for Employers Liability, £5m Public Liability and £5m Professional Indemnity.

Copies of our insurance packages can be found at [https://www.contractorumbrella.com/umbrella\\_company\\_corporate\\_documents.html](https://www.contractorumbrella.com/umbrella_company_corporate_documents.html)

Please note there may be certain professions that are not covered by umbrella insurance.

Unfortunately, our umbrella policy does not cover Lawyers, Barristers and Solicitors for legal advice given. Whereby our insurances do not provide full cover, the individual will be required to provide his or her own insurances to the agency or end client.

## What do I do when I want to leave?

As an employee of the umbrella company you are bound by the terms of the contract of employment; our contract states a minimum 1-week notice period for all employees. To make your life as easy as possible, we will contact you 4 weeks before the end of the assignment to see if;

- your assignment has been extended, if so we will speak with your agency/end client to arrange for the relevant paperwork to be issued, checked and signed, or
- if we can assist in helping you source that next assignment, we have an online jobs board on ContractorUK that is free for all employees to join ([https://www.contractoruk.com/it\\_contract\\_jobs/](https://www.contractoruk.com/it_contract_jobs/)), or
- to request a notice letter should you wish to leave our employment.

Once we have received the final payment for your assignment, if you have chosen to terminate the employment, then we will process your final pay, repaying any outstanding holiday that has accrued and not been used, and we will issue you with a P45, exactly the same as if you were in permanent employment.

## How do I know you'll do what you say you'll do?

Contractor Umbrella has a unique service charter, which means that we give you certain guarantees. Details of the charter can be found on our website: [www.contractorumbrella.com/charter.html](http://www.contractorumbrella.com/charter.html).



## What about IR35?

IR35 doesn't apply to our employees as all monies received are processed via PAYE (as is done when inside IR35), but if you want more information on IR35 and whether you would fall inside/outside or be better off trading as a limited company, here's more on the topic.

The IR35 (Intermediaries) Legislation was introduced by HMRC in April 2000 and was intended to combat tax avoidance. It affects all contractors who do not meet HMRC's definition of 'self-employment' and applies to anyone working via an intermediary such as a company or partnership.

Over time, the tests have been developed from the results of legal cases, which indicate whether or not an individual's working practices are likely to fall inside or outside of IR35, and in recent times HMRC have built an CES (Check Employment Status for Tax) Tool, which combines years of cases and rulings.

The test is used to determine whether, if it were not for the intermediary, the contractor would be an employee of the end client. The assignment and contract must be totally representative of the individual's working practices and would fail the IR35 'test' if this were not the case.

### What determines if an assignment is inside or outside IR35?

HMRC have put together the Check Employment Status for Tax Tool (CEST), which asks a number of questions that you can answer which will help to determine your status. If you answer 'yes' to the following, then it is likely you will be deemed a 'disguised employee' and will therefore fall inside IR35.

### What information do you need to complete the test?

According to the guidance notes, you will need the following details to hand before taking the test;

- the worker's responsibilities
- who decides what work needs doing
- who decides when, where and how the work is done
- how the worker will be paid
- if the engagement includes any benefits or reimbursement for expenses

You will then be asked a series of questions relating to the working practices of the applicant. The options change according to the information you provide during the test.

These questions cover familiar IR35 territory, for example: can you provide a substitute, and if so, have you ever supplied one? And... how much control do you have over the work you perform?

Will the worker (or their business) perform office holder duties for the end client as part of this engagement? Has the worker's business arranged for someone else (a substitute) to do the work instead of him or her during this engagement? Has the worker's business needed to pay a helper to do a significant amount of the work for this engagement? Can the end client move the worker to a different task than they originally agreed to do?

Essentially are you really an employee just being paid by the company rather than an independent contractor/consultant?



## What does it mean if I am Inside IR35?

IR35 determines the way that you are paid. An individual employed by an intermediary i.e. an umbrella company must be paid via PAYE (Inside IR35). Contractors who are outside of IR35 can work through their own limited companies, they can draw the bulk of the company profits as dividends, which do not attract National Insurance contributions.

April 2017 saw the introduction of the Off-payroll working in the public sector: reform of intermediaries legislation, which reformed the way in which contractor's working in the public sector would be viewed for tax and employment purposes.

The changes placed the responsibility of determining the IR35 status on the public sector body (rather than the limited company) who would need to decide whether the relationship between the worker and the end user would be one of employment, if so, income tax and NICs will be payable i.e. the contractor would have to be paid via PAYE.

Where this is the case then there is "deemed employment" and the organisation that pays the fee to the PSC (whether that is the public body or an intermediary potentially the recruiter in many cases) is now required to make deductions for income tax and employee's NIC and to pay these taxes as well as employer's NIC to HMRC.

The changes have meant that some agencies and end clients are now refusing to make payments direct to a PSC, thoroughly understandable, as the deductions are somewhat complicated to calculate.

## Benefits of working with ContractorUmbrella

When you work with Contractor Umbrella you can benefit from the following;

 <p><b>Group Personal Pension Scheme</b> Redirect part of your income into our tax efficient pension scheme.</p>	 <p><b>ContractorUmbrella Rewards</b> The scheme gives our employees access to thousands of exclusive discounts, on everyday services and products.</p>
 <p><b>Contractor Mortgage</b> Getting a mortgage as a contractor doesn't have to be difficult!</p>	 <p><b>Flexible Pension Contributions</b> You can pay into your own SIPP or pension fund if that is preferred.</p>
 <p><b>Foreign Currency Exchange</b> Maximise the return on your foreign currency.</p>	 <p><b>Financial Services</b> Specialist independent advice on income protection, life and critical illness cover.</p>
 <p><b>Private Medical Cover</b> 30% discount on WPA private medical cover (through Contractor Umbrella Rewards – provided by Remus Rewards).</p>	 <p><b>Contract Opportunities</b> ContractorUmbrella can help you find that all important next contract.</p>

## About Contractor Umbrella

Contractor Umbrella have been helping contractors since 2001 and have been voted as the best umbrella company by readers of Contractor UK, and by a panel of judges at The Contracting Awards 2019. We are one of the most respected umbrella companies in the UK and our Commitment Charter gives contractors total peace of mind.

With our sister company, Dolan Accountancy, we offer contractors a consistently high level of customer service no matter if you work via your own limited company or through an umbrella company. We give you the flexibility to transfer when your contract demands and we won't charge you any additional costs.

### Key benefits of our scheme:

- Unlike other umbrella companies we do not charge a percentage of your income, our margin remains the same regardless of your earnings
- No hidden joining or leaving charges, no minimum commitment and no fees charged in-between contracts
- Contractor Umbrella Ltd is an alliance partner of Contractor UK, Freelance UK, Freelancers in the UK and a fully accredited member of the FCSA
- A commitment charter, designed to ensure all employees and clients are taken care of every step along the way
- Web-based portal giving 24/7 access for timesheet submission
- Same day payments as standard providing funds are received into our account by 9am, for no additional fee
- No additional fees or changing accountants if you need to work through your own limited company

For further information, you may like to visit our website at [www.contractorumbrella.com](http://www.contractorumbrella.com). Alternatively, you can speak to one of our experts on **01206 591 000** or email us at [info@contractorumbrella.com](mailto:info@contractorumbrella.com).

We look forward to hearing from you.





# Contractor Umbrella

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