



Working Through an Umbrella Company

What is an Umbrella Company?

An Umbrella Company is a business that acts as an intermediary between independent contractors (you) and the company you provide their services to (recruitment agency).

An Umbrella Company offers you the stability and benefits of employment while allowing you to work as a contractor.

An Umbrella Company is responsible for:

- **Employment** - your employment and are responsible for paying your wages and operating PAYE.
- **Benefits** - providing you with full employment rights, including statutory benefits like holiday pay, maternity pay, paternity pay, sickness pay, pensions, and adoption pay.
- **Administrative tasks** - processing your pay, including calculating and deducting taxes and statutory obligations, processes timesheets, calculates pay, and offering benefits such as insurance and pension contributions.

Compliant Umbrella Companies

Whilst there are many Umbrella Companies available in the UK, not all of them are compliant. You should always do your due diligence and ensure the Umbrella Company you sign up with is FCSA accredited, and that they can provide you with detailed pay illustrations and a clear contract detailing the following:

Payslip

- PAYE & NIC deductions
- Employer NIC and Apprenticeship Levy
- Umbrella margin (their fee) separately to all other deductions

Contract

- notice period
- holiday entitlement and how it is handled – “rolled-up” in your pay rate or accrued
- SSP & maternity/paternity entitlement
- Workplace pension
- Expenses policy – only allowing [genuine HMRC approved expenses](#)

Your Agency should have an approved supplier list of Umbrella Companies they have vetted and are happy for you to work with, but it is important you do your own due diligence for any of their recommendations.

Signing Up

You will be able to sign up with any Umbrella Company online, however it is important you feel comfortable with the company you choose so we would always recommend you speak directly to their onboarding team. They will be able to run through any questions you have.

Pay Rate

Employment and Umbrella costs will be deducted from the rate they receive from your recruitment agency/company before your personal taxes are calculated.

Your payslip from your Umbrella company must be clear and detail all deductions made from your pay rate.

Payments

Most Umbrella Companies ensure payment is made to you on receipt of cleared funds from your agency, via a same day faster payment. They run multiple payrolls per day and funds will clear into your account within 2 hours of them making payment to you. Most Umbrella's will send you an SMS to confirm when funds are on the way.

Holiday/Sickness & Absence

The Umbrella Company will be responsible for processing any payments due for holiday, SSP or other statutory absence and they will keep track of your entitlement.

Disclaimer

This document is intended to provide general information only and does not constitute advice. It is not an exhaustive and complete reference document on this subject.

Next Phase take no responsibility or liability for the use of or reliance on the information contained within this document and you should always take separate professional advice.